

BEFORE THE
FINANCE SUBCOMMITTEE OF THE
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
TO THE
CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: AS INDICATED ON THE AGENDA

DATE: SATURDAY, SEPTEMBER 20, 2008
2:30 P.M.

REPORTER: BETH C. DRAIN, CSR
CSR. NO. 7152

BRS FILE NO.: 82638

BARRISTERS' REPORTING SERVICE

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BARRISTERS' REPORTING SERVICE

SATURDAY, SEPTEMBER 20, 2008

2:30 P.M.

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CHAIRMAN GOLDBERG: JAMES, DO WE NEED TO
CALL ROLL GIVEN THAT THIS --

MR. HARRISON: WE SHOULD GO AHEAD AND CALL
ROLL, MICHAEL.

CHAIRMAN GOLDBERG: THANK YOU. PLEASE
PROCEED, MELISSA.

MS. KING: RICARDO AZZIZ.

DR. AZZIZ: PRESENT.

MS. KING: ROBERT PRICE.

DR. PRICE: PRESENT.

MS. KING: FLOYD BLOOM.

DR. BLOOM: HERE.

MS. KING: MARCY FEIT. MICHAEL GOLDBERG.

CHAIRMAN GOLDBERG: HERE.

MS. KING: BOB KLEIN.

MR. KLEIN: HERE.

MS. KING: TED LOVE. TINA NOVA. ED
PENHOET.

DR. PENHOET: HERE.

MS. KING: PHIL PIZZO. DUANE ROTH.

MR. ROTH: HERE.

MS. KING: JEFF SHEEHY.

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1 MR. SHEEHY: HERE.

2 MS. KING: OSWALD STEWARD.

3 OKAY. SO, MICHAEL, WE DO NOT HAVE A
4 QUORUM, BUT WE HAVE EVERYONE WE'RE EXPECTING. I'LL
5 TURN IT OVER TO YOU.

6 CHAIRMAN GOLDBERG: THANK YOU. SO I WANT
7 TO THANK EVERYBODY FOR MAKING THEMSELVES AVAILABLE
8 ON A SATURDAY AFTERNOON, PARTICULARLY IN A WEEK THAT
9 WAS STRESSFUL FOR MANY OF US AND BURDENSOME FOR ICOC
10 MEMBERS WHO WERE DOING A LOT OF OTHER COMMITTEE
11 WORK.

12 SECONDLY, I WANTED TO THANK LYNN HARWELL
13 AND MELISSA KING FOR THE PREPARATION OF THE
14 MATERIALS FOR TODAY'S CALL. AND WE APOLOGIZE THAT
15 MANY OF THEM JUST GOT OUT TO US.

16 BUT THAT LEADS INTO MY NEXT POINT, WHICH
17 IS THE OBJECTIVE OF THIS CALL IS REALLY TO DISCUSS
18 AMONGST OURSELVES AS A SUBCOMMITTEE WHAT WE TAKE
19 FORWARD TO THE BOARD AS AN UPDATE TO OPEN A COMMENT
20 PERIOD ON SOME OF THE SPECIFICS RELATED TO THE WORK
21 OF THE LOAN TASK FORCE.

22 AND WHAT WE CONTEMPLATE DOING DURING THE
23 COURSE OF THE NEXT HOUR AND A HALF IS STEPPING
24 THROUGH THREE SUBSTANTIVE AGENDA ITEMS AND HAVING AN
25 OPPORTUNITY FOR DISCUSSION FOR EACH OF THEM.

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1 IN ADDITION TO OURSELVES, WE HAVE INVITED,
2 AND I'D APPRECIATE, MELISSA, YOUR SENSE OF LOGISTICS
3 AS TO WHEN THEY WILL JOIN THE CALL, IF INDEED THEY
4 ARE GOING TO JOIN THE CALL, THE REPRESENTATIVES FROM
5 SILICON VALLEY BANK WHO HAVE PUT FORWARD A PROPOSAL
6 FOR HOW THEY WOULD ACT IF WE WERE TO RECOMMEND TO
7 THE BOARD THE SELECTION OF AN INTERMEDIARY TO
8 ADMINISTER THE LOAN PROGRAM.

9 MS. KING: MICHAEL, JUST SO YOU KNOW, I'LL
10 JUST DO A QUICK CHECK. JOHN OR PETE, ARE YOU ON THE
11 LINE?

12 MR. SCOTT: YES. THIS IS PETE SCOTT FROM
13 SILICON VALLEY BANK.

14 MR. NORRIS: JOHN NORRIS, I'M HERE AS
15 WELL.

16 MS. KING: MICHAEL, THEY'RE ACTUALLY BOTH
17 HERE. LYNN ACTUALLY JUST STEPPED OUT TO GO CHECK ON
18 THAT, BUT THEY ARE BOTH DUTIFULLY ALREADY ON THE
19 LINE. THANK YOU, GENTLEMEN.

20 CHAIRMAN GOLDBERG: IS THERE -- I'M GOING
21 TO ASK, ARE YOU GUYS ABLE TO STAY ON FOR THE FULL
22 DURATION, OR IS IT NECESSARY -- IF NOT, WE CAN TAKE
23 THE AGENDA A LITTLE BIT OUT OF SEQUENCE AND ALLOW
24 YOU TO GET BACK TO YOUR OTHER DUTIES TODAY.

25 MR. SCOTT: I HAVE A 3:30 HARD STOP, BUT I

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1 CAN BE HERE TILL 3:30.

2 MS. KING: THEIRS IS ITEM NO. 4.

3 CHAIRMAN GOLDBERG: WHAT I'M GOING TO
4 SUGGEST IS THAT WE SKIP ITEM 3, COME BACK TO IT
5 AFTER PETE AND JOHN ARE RELEASED.

6 SO SPECIFICALLY FOR THOSE OF YOU WHO WERE
7 ABLE TO OPEN THE ATTACHMENT, THERE IS A DOCUMENT
8 ENTITLED "CIRM LOAN PROGRAM EXTERNAL FINANCIAL
9 BUSINESS REVIEW." AND LET ME BRIEFLY KIND OF
10 SUMMARIZE THE DOCUMENT, AND THEN WE'LL ASK THE
11 GUYS FROM -- WE'LL OPEN IT UP FOR DISCUSSION AMONG
12 OURSELVES. AND HAVING DONE THAT, WE CAN PROCEED TO
13 THE PRESENTATION BY SILICON VALLEY BANK.

14 SO THE BACKGROUND IS IN CONNECTION WITH
15 DUANE AND HIS TASK FORCE EXCELLENT WORK ON THE LOAN
16 PROGRAM, WHICH WAS REPORTED AT OUR LAST ICOC
17 MEETING, THE NEXT STEP WAS FOR THE FINANCE
18 SUBCOMMITTEE TO EVALUATE DIFFERENT WAYS THAT WE
19 MIGHT BE ABLE TO IMPLEMENT THE LOAN PROGRAM. AND
20 THAT IS A BROADER ISSUE THAN JUST THE ADMINISTRATION
21 OF THE LOAN PROGRAM. BUT FOR THE TIME BEING, WE'LL
22 KIND OF FOCUS ON THE ADMINISTRATION OF THE LOAN
23 PROGRAM.

24 AND THE DECISION THAT WE SHOULD MAKE TODAY
25 IS TO RECOMMEND OR NOT THE DEVELOPMENT OF AN RFP TO

BARRISTERS' REPORTING SERVICE

1 THE BOARD ON THURSDAY IN SAN DIEGO FOR AN
2 ADMINISTRATOR TO PROVIDE EXPERT REVIEW FOR THE LOAN
3 APPLICANTS.

4 SO JUST AS A REMINDER, THAT THE SEQUENCE
5 WOULD BE, IN CONNECTION WITH THE DISEASE TEAM GRANTS
6 THAT ARE CONTEMPLATED TO BE MADE IN DECEMBER OF THIS
7 YEAR, THAT SOME PORTION -- THE RFA WOULD GO OUT.
8 SOME PORTION OF THOSE WOULD BE ELIGIBLE FOR LOANS IN
9 ADDITION TO GRANTS.

10 MS. KING: MICHAEL, IF I COULD JUST
11 BRIEFLY HAVE EITHER MARIE CSETE OR PAT OLSON THAT
12 ARE HERE IN SAN FRANCISCO COMMENT ON THE TIMING.
13 THEY WERE LOOKING LIKE THEY WANTED TO MAKE A COMMENT
14 ON THAT.

15 DR. CSETE: WE'RE PROBABLY NOT GOING TO
16 MAKE DECEMBER FOR RFA. WE'RE THINKING JANUARY.

17 CHAIRMAN GOLDBERG: THAT'S FINE. WE JUST
18 DON'T WANT TO BE THE CRITICAL PATH IMPEDIMENT
19 STANDING IN THE WAY OF YOUR SCIENTIFIC REVIEW.

20 DR. CSETE: HOLDING THIS IS ONE OF THE
21 MANY THINGS.

22 MS. KING: OUR SUBCOMMITTEE AND THE BOARD
23 WON'T BE WHAT'S HOLDING IT UP. IT WILL BE READY TO
24 GO FROM OUR PERSPECTIVE WHEN THE STAFF WITH ALL THAT
25 THEY HAVE TO DO CAN ACCOMMODATE IT.

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1 DR. CSETE: JUST WANTED TO MAKE SURE WE
2 WERE ALL ON THE SAME PAGE.

3 CHAIRMAN GOLDBERG: THANK YOU. CHAIRMAN
4 KLEIN, DID HAVE YOU A COMMENT?

5 MR. KLEIN: IN TERMS OF SETTING AN OVERALL
6 CONTEXT, SO THERE WILL BE ATTEMPTS OF THE COMMITTEE
7 FROM THIS DISCUSSION WHICH BRINGS TOGETHER MANY OF
8 THE PRIOR DISCUSSIONS FROM THE PRIOR LOAN TASK FORCE
9 MEETING, PLUS ADDITIONAL INFORMATION THAT IS BROUGHT
10 TO A CONSENSUS AMONG THE PEOPLE PARTICIPATING HERE
11 TO THE BOARD ON SEPTEMBER 24TH. THE BOARD WOULD DO
12 A CONCEPT APPROVAL, NOT A FINAL APPROVAL. AND AS
13 CHAIRMAN OF THE FINANCE COMMITTEE, MICHAEL GOLDBERG,
14 HAS SAID, IT WOULD BEGIN A COMMENT PERIOD, A PUBLIC
15 COMMENT PERIOD, WHICH THEN WOULD BE FOLLOWED BY A
16 PUBLIC MEETING OF THE FINANCE COMMITTEE TO REVIEW
17 THOSE COMMENTS AND MAKE, WITH A QUORUM, A FORMAL
18 FINAL RECOMMENDATION TO THE BOARD, WHICH WOULD THEN
19 BE ACTED ON IN DECEMBER.

20 AND IT SOUNDS LIKE DECEMBER IS, IN FACT,
21 IN TIME FOR THE RFA FOR THE DISEASE TEAMS, SO THE
22 LOAN PROGRAM IS INTENDED TO SERVE THE DISEASE TEAMS.
23 IT'S ALSO IMPORTANT TO NOTE THAT THE DISCUSSION
24 WE'RE ABOUT TO HAVE ON DELEGATED UNDERWRITERS OR
25 EXTERNAL FINANCIAL BUSINESS REVIEW UNDER CONTRACT,

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1 THAT WOULD THEORETICALLY BE DONE IF THERE IS A
2 CONSENSUS HERE AND AT THE BOARD BY QUALIFIED EXPERTS
3 THAT ARE IN THE FIELD WHO RESPOND AND ARE SELECTED
4 AFTER AN OPEN RFP PROGRAM.

5 THIS REVIEW WOULD TAKE PLACE AFTER
6 SCIENTIFIC REVIEW. THESE APPLICANTS WOULD BE
7 TREATED JUST THE SAME AS ANY OTHER APPLICANT ALL THE
8 WAY THROUGH SCIENTIFIC REVIEW, AND THIS EXTERNAL
9 REVIEW WE'RE TALKING ABOUT WOULD HAPPEN AFTER THE
10 SCIENTIFIC REVIEW AND IN THAT PERIOD, THE NORMAL
11 PERIOD, BEFORE BOARD ACTION WHEN THE SCIENTIFIC
12 WRITE-UPS ARE BEING DONE, SO IT IS INTENDED NOT TO
13 HAVE THE LOAN PROCESS EXTEND THE PROGRAM REVIEW IN
14 ANY WAY.

15 AND ONE OF THE PURPOSES IN GETTING AN
16 EXPERT TEAM IS FINDING A TEAM THAT IS USED TO
17 TURNING THESE AROUND ON A BUSINESS TIMETABLE THAT
18 CAN GET IT DONE AND HAVE THEIR RECOMMENDATIONS COME
19 BACK TO THE FINANCE COMMITTEE PRIOR TO THE BOARD,
20 AND THOSE FINANCE COMMITTEE RECOMMENDATIONS WOULD GO
21 TO THE BOARD WITH THE SCIENTIFIC REVIEW.

22 CHAIRMAN GOLDBERG: I THINK THAT'S AN
23 EXCELLENT SUMMARY OF THE DOCUMENT. AND THERE ARE
24 SOME PARTICULARS IN ADDITION AS TO WHAT THE ELEMENTS
25 OF A BUSINESS OR FINANCIAL EXTERNAL REVIEW WOULD BE,

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1 BUT I THINK THOSE ARE RELATIVELY SELF-EVIDENT WHEN
2 YOU HAVE A CHANCE TO LOOK AT THEM, AND THEY'LL BE
3 UNDERSCORED IN CONNECTION WITH THE PRESENTATION THAT
4 SVB, SILICON VALLEY BANK, MAKES.

5 SO WHAT WOULD I SUGGEST IS THAT AS THEY
6 MAKE THEIR PRESENTATION TO US, THAT YOU KEEP IN MIND
7 ONE OF THE DECISIONS ON THIS AGENDA ITEM THAT WE'LL
8 WANT TO MAKE AT THE END IS IN TERMS OF INCLUSION IN
9 THE BOARD MATERIALS IN ADVANCE OF THE 24TH. I WOULD
10 PROPOSE THAT WE WOULD INCLUDE THE DISCUSSION OUTLINE
11 FOR THE CIRM LOAN PROGRAM AT THE EXTERNAL FINANCIAL
12 BUSINESS REVIEW, WHICH IS IN DRAFT FORM AS WE
13 CURRENTLY HAVE IT, AND MAKE WHATEVER MODIFICATIONS
14 ANY OF US MIGHT AGREE THAT WOULD BE APPROPRIATE SO
15 THAT THE REST OF THE BOARD AND THE PUBLIC WOULD HAVE
16 PLENTY OF VISIBILITY AND TRANSPARENCY INTO WHAT
17 WE'RE TALKING ABOUT DOING HERE AND PERHAPS EVEN
18 INCLUDE THE PROPOSAL OR THE OUTLINE FROM SILICON
19 VALLEY BANK SO THAT OTHERS ARE FREE TO SEE WHAT
20 SORTS OF THINGS WE WOULD BE LOOKING FOR IN AN RFP
21 ULTIMATELY.

22 WITH THAT, ARE THERE ANY QUESTIONS FROM
23 ANY OF THE COMMITTEE MEMBERS THAT YOU'D LIKE TO
24 DISCUSS ON THIS NARRATIVE BEFORE WE GO TO SVB?
25 HEARING NONE, I'D LIKE TO ASK PETE SCOTT AND JOHN

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1 NORRIS TO MAKE A PRESENTATION ABOUT THEIR THOUGHTS
2 IN RESPONSE TO OUR NEEDS.

3 MS. KING: MICHAEL, JUST BEFORE WE START
4 THAT, JUST TWO QUICK POINTS OF INFORMATION. ONE, I
5 JUST WANT TO MAKE SURE THAT EVERYBODY ON THE PHONE
6 HAS THE SLIDES FROM SILICON VALLEY BANK IN FRONT OF
7 THEM. THEY SHOULD BE AVAILABLE AT EACH SITE.
8 THEY'RE THE SLIDES THAT HAVE THE TITLE "SVB
9 OVERVIEW" ON THEM.

10 AND THEN THE SECOND POINT OF INFORMATION,
11 JUST SO EVERYBODY IS AWARE, THE ICOC MEETING, FOR
12 TIMING, IS ON THE 25TH. I APOLOGIZE FOR THE
13 CONFUSION. IT WAS LISTED AS A TWO-DAY MEETING, AND
14 WE JUST NEED A ONE-DAY MEETING. SO IT'S ON THE
15 25TH. SO THERE'S A LITTLE BIT MORE TIME THAN WE
16 THOUGHT.

17 CHAIRMAN GOLDBERG: THANK YOU.

18 MS. KING: THAT'S IT.

19 CHAIRMAN GOLDBERG: PETE, JOHN, FLOOR IS
20 YOURS.

21 MR. SCOTT: THIS IS PETE SCOTT. AND I
22 THOUGHT WHAT I WOULD DO IS, IN THE INTEREST OF TIME,
23 I'M NOT GOING TO GO THROUGH THE SVB OVERVIEW. I
24 THINK THERE'S SEVERAL PEOPLE ON THE CALL THAT KNOW A
25 LITTLE BIT ABOUT SILICON VALLEY BANK, AND CERTAINLY

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1 WE CAN GIVE YOU ADDITIONAL INFORMATION AROUND THAT.

2 WHAT I THOUGHT I WOULD DO IS DIVE RIGHT
3 INTO THE STRUCTURE OF WHAT WE'RE PROPOSING AND THEN
4 SOME OF THE SERVICES, IF YOU WILL, THAT WE'VE
5 PROVIDED AROUND THAT STRUCTURE.

6 IF YOU TURN TO PAGE 3 OF THE PRESENTATION
7 THAT WE PUT TOGETHER, THERE'S A VERY SIMPLE
8 SCHEMATIC OF HOW WE'RE ENVISIONING THE LOAN PROGRAM
9 WORKING. AND IT'S PRETTY STRAIGHTFORWARD, BUT TO
10 WALK THROUGH IT QUICKLY, THE BASIC CONCEPT IS THAT
11 CIRM WOULD BE PROVIDING WHAT WE'RE CALLING A
12 PARTICIPATION CERTIFICATE TO SILICON VALLEY BANK
13 WHICH WOULD BE PUT IN PLACE. AND SILICON VALLEY
14 BANK WOULD THEN PAY CIRM THE INTEREST RATE OR THE
15 REQUIRED RETURN THAT YOU'RE LOOKING FOR UNDER THE
16 LOAN PROGRAM.

17 THAT RATE WE'VE DISCUSSED HAS BEEN IN THE
18 9 PERCENT RANGE, BUT THAT WOULD BE SET BY WHATEVER
19 CIRM DECIDED WAS THE APPROPRIATE RATE OF RETURN. SO
20 SILICON VALLEY BANK WOULD PAY CIRM BASED ON THE
21 PARTICIPATION CERTIFICATE THAT RETURN. AND THEN, IN
22 TURN, SILICON VALLEY BANK WOULD PROVIDE A LOAN TO
23 THE COMPANY THAT YOU'RE WORKING WITH WITH THE SAME
24 EXACT TERMS THAT CIRM DECIDES WITH THAT REQUIRED
25 RATE PLUS A SPREAD OVER THAT FOR COMPENSATION FOR

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1 PROVIDING THIS LOAN.

2 AND IN ATTACHMENT A IT TALKS ABOUT WHAT
3 THAT SPREAD IS GOING TO BE, AND WE CAN TALK ABOUT
4 THAT LATER. BUT THE BASIC CONCEPT IS FAIRLY
5 STRAIGHTFORWARD IS SIMPLY SILICON VALLEY BANK'S
6 GIVING A LOAN TO THE COMPANY, AND CIRM IS PROVIDING
7 THAT PARTICIPATION CERTIFICATE AS COLLATERAL FOR
8 THAT LOAN.

9 DOES THAT BASIC CONCEPT MAKE SENSE TO
10 EVERYONE? IS THAT CLEAR?

11 CHAIRMAN GOLDBERG: ANY QUESTIONS?

12 DR. AZZIZ: I HAVE A QUICK QUESTION.
13 MAYBE WE DIDN'T GET TO THAT. IT SAYS HERE REQUIRE
14 AN UP-FRONT COMMITMENT FEE AND THE BANKING
15 RELATIONSHIP OF THE COMPANY. COULD YOU ELABORATE ON
16 THAT SECOND TERM?

17 MR. SCOTT: IN TERMS OF THE COMMITMENT
18 FEE, ATTACHMENT A OUTLINES WHAT WE'RE PROPOSING ON
19 THAT. BUT IN GENERAL WHAT WE'RE TALKING ABOUT THERE
20 IS BASICALLY COMPENSATION FOR SILICON VALLEY BANK TO
21 GO THROUGH THE PROCESS OF PROVIDING THIS LOAN. AND
22 I'M GOING TO GO INTO MORE DETAIL ABOUT WHAT THAT
23 PROCESS ENTAILS. IN GENERAL, WHAT WE'RE TALKING
24 ABOUT IS THE UNDERWRITING AND FINANCIAL DUE
25 DILIGENCE, THE DOCUMENTATION, AND THE ONGOING LOAN

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1 ADMINISTRATION OF THAT LOAN. REALLY THE
2 COMPENSATION IS IN THE FORM OF THAT COMMITMENT FEE
3 AND THE SPREAD BETWEEN THE RETURN THAT WE'D BE
4 GIVING TO CIRM VERSUS WHAT WE'RE CHARGING THE
5 COMPANY.

6 DR. AZZIZ: THE QUESTION, I'M SORRY, WAS
7 THE BANKING RELATIONSHIP PART.

8 MR. SCOTT: SO THE BANKING RELATIONSHIP
9 PART WAS THAT AS PART OF THE LOAN WE WOULD REQUIRE
10 THAT THE COMPANY BE A BANK CLIENT. AND WHAT THAT
11 WOULD MEAN IS THAT THEY WOULD DO THEIR OPERATING
12 ACCOUNTS THROUGH US. WE WOULD TYPICALLY HAVE THE
13 LOAN STRUCTURED SO THAT THE PAYMENT FOR THE LOAN IS
14 AUTOMATICALLY DEBITED OUT OF THEIR OPERATING
15 ACCOUNT, AND ANY EXCESS CASH IS EITHER KEPT AT
16 SILICON VALLEY BANK OR MANAGED BY ONE OF OUR
17 AFFILIATES OFF OUR BALANCE SHEET.

18 CHAIRMAN GOLDBERG: IT'S INTERESTING.
19 THAT'S AN EXCELLENT POINT YOU RAISE, RICARDO. IT IS
20 STANDARD PRACTICE OF LENDERS TO CERTAINLY SMALLER
21 COMPANIES. THE QUESTION, I THINK, THAT WE'LL HAVE
22 TO WRESTLE WITH IS IF YOU'RE A MEDIUM SIZE COMPANY
23 AND YOU ALREADY HAVE A RATHER COMPLEX FINANCIAL
24 LIFE, IT COULD BE RATHER DIFFICULT TO TRANSITION
25 THAT PRIMARY BANKING RELATIONSHIP.

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1 SO I FIRST REACTED THAT, HMM, MAYBE THAT'S
2 A FEATURE THAT'S MORE PROBLEMATIC THAT WOULD BE A
3 DETERRENT RATHER THAN AN INCENTIVE FOR APPLICANTS TO
4 THE LOAN PROGRAM. AS I THOUGHT ABOUT IT, WEARING MY
5 CIRM HAT AND TAKING OFF MY FORMER CEO HAT, IT'S
6 ACTUALLY QUITE PROTECTIVE FOR US BECAUSE ESSENTIALLY
7 WHAT THEY'RE DOING IS WATCHING WHAT'S GOING ON WITH
8 THE FINANCIAL ACTIVITY OF THE FIRMS THAT WE'RE
9 PROVIDING CREDIT TO. AND IT ACTUALLY PREVENTS
10 THINGS THAT HAPPENED THIS WEEK IN SOME REMARKABLE
11 WAY WHERE LEHMAN BROTHERS WIRED \$8 BILLION FROM
12 THEIR LONDON OFFICE TO THEIR NEW YORK OFFICE JUST
13 BEFORE THEY DECLARED BANKRUPTCY.

14 SO THERE IS SOMETHING VERY PROTECTIVE, I
15 FIND, THAT WILL HAVE TO BE BALANCED BETWEEN THE
16 DISINCENTIVE IT MAY PROVIDE TO CERTAIN APPLICANTS
17 FOR LOANS VERSUS THE PROTECTIVENESS IT PROVIDES TO
18 THE STATE AGENCY.

19 DR. AZZIZ: MICHAEL, THAT'S A GOOD POINT.
20 THEY'RE NOT -- THIS IS NOT A REQUIREMENT FOR AN
21 EXCLUSIVE RELATIONSHIP. IT'S A RELATIONSHIP,
22 CORRECT?

23 CHAIRMAN GOLDBERG: I WOULD ASK YOU TO
24 ADDRESS THAT, PETE.

25 MR. SCOTT: SO WHEN YOU SAY EXCLUSIVE, YOU

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1 MEAN WITH CIRM OR WITH THE COMPANY?

2 DR. AZZIZ: AGAIN, WE CAN CONTINUE, BUT
3 WE'LL DISCUSS THIS FURTHER, BUT THIS STATEMENT OF
4 BANKING RELATIONSHIP, AS MICHAEL HAS NOTED, MAY BE
5 PROBLEMATIC IN SOME SETTINGS, PARTICULARLY FOR
6 ESTABLISHED COMPANIES. AND MY QUESTION IS, WHILE IT
7 IS PRUDENT TO HAVE A BANKING RELATIONSHIP BETWEEN
8 SVB, IF THEY OBTAIN SUCH A LOAN, AND THE COMPANY,
9 THAT RELATIONSHIP, YOU'RE NOT CLAIMING THAT THAT
10 RELATIONSHIP SHOULD BE EXCLUSIVE?

11 MR. SCOTT: NO. IT WOULD ACTUALLY, THE
12 DOCUMENTATION ON THAT WOULD BE NONEXCLUSIVE,
13 ALTHOUGH WE USE THE WORD "PRIMARY" AND DEFINE IT AS
14 TYPICALLY 85 PERCENT OF THE BANKING RELATIONSHIP,
15 AND THE INVESTABLE CASH IS HELD THROUGH SILICON
16 VALLEY BANK OR ITS AFFILIATES.

17 MR. KLEIN: THIS IS BOB KLEIN. I THINK
18 MICHAEL'S POINT AND DR. AZZIZ' POINT IS IF YOU HAVE
19 A COMPANY THAT, YOU KNOW, HAS \$200 MILLION IN
20 FOOTINGS AND THEIR PROBLEM IS THEY'RE FACING A
21 CLINICAL TRIAL THAT MAY BE IN PHASE I AND PHASE II
22 MAY BE \$150 MILLION, THEY MAY HAVE A PRIMARY
23 RELATIONSHIP. AND SO WE HAVE TO THINK THROUGH, I
24 THINK, IN THIS COMMENT PERIOD AFTER THE BOARD HOW WE
25 SLICE AND DIFFERENTIATE THAT SITUATION. BECAUSE IF

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1 THEY'VE GOT \$200 MILLION IN OTHER FINANCIAL
2 INSTRUMENTS, I DON'T THINK WE CAN EXPECT THEM TO
3 TRANSFER THAT IF WE'RE MAKING A \$25-MILLION LOAN.

4 MR. SCOTT: RIGHT. UNDERSTOOD. SO THE
5 SCENARIO YOU'RE DESCRIBING THERE, I WOULD ENVISION
6 THAT ASPECT OF THE DEAL BEING NEGOTIATED.

7 CHAIRMAN GOLDBERG: SO, PETE, ONE
8 POSSIBILITY COULD BE -- OBVIOUSLY YOU'RE FREE TO
9 EXPRESS YOUR PREFERENCES ON THIS, AND WE RESPECT
10 THAT. BUT ONE WAY TO DEAL WITH IT WOULD BE TO
11 PROVIDE, YOU KNOW, FOR WHATEVER THE BALANCE OF THE
12 LOAN OUTSTANDING IS, AT MINIMUM THEY WOULD NEED TO
13 HAVE AN ACCOUNT WITH YOU SO THAT THOSE FUNDS ARE
14 UNDER YOUR SUPERVISION, WHICH ACTUALLY ACHIEVES THE
15 PROTECTION FOR US.

16 SO IF IT'S A COMPANY WITH \$200 MILLION OF
17 LIQUID ASSETS IN A PRIMARY BANKING RELATIONSHIP WITH
18 A BULGE BRACKET COMMERCIAL BANK, TO THE EXTENT THAT
19 THEY MAY PARTICIPATE IN A LOAN OF 25 MILLION THROUGH
20 US, THEY COULD SET UP AN ACCOUNT WITH YOU FOR THE 25
21 MILLION AND YOU OVERSEE THAT ACCOUNT. WOULD THAT BE
22 A POSSIBLE WAY TO DEAL WITH THIS?

23 MR. SCOTT: YES. YEAH. THAT COULD WORK
24 WELL.

25 CHAIRMAN GOLDBERG: YOU'RE IN THE

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1 BUSINESS. YOU NEED TO ACCUMULATE DEPOSITS, AND WE
2 UNDERSTAND THAT.

3 MR. SCOTT: SURE. I GUESS I WAS
4 ENVISIONING -- I DIDN'T CONSIDER A MORE ESTABLISHED
5 LATER STAGE COMPANY SCENARIO, BUT THAT WOULD BE ONE
6 WHERE THEY WOULD ALREADY HAVE AN EXISTING
7 RELATIONSHIP AND SO FORTH.

8 DR. AZZIZ: MICHAEL, JUST A QUESTION.
9 THIS IS RICARDO AGAIN. SORRY TO BOTHER. IT'S A
10 QUESTION OF AGENDA TIME BECAUSE WE NEED TO KEEP
11 MOVING OBVIOUSLY. IS THERE A TIME FOR US TO HAVE A
12 COMMITTEE CONFIDENTIAL TIME OR NOT OR A CLOSED
13 SESSION? I DON'T SEE IT ON THE AGENDA.

14 MR. KLEIN: THIS AGENDA HAS NOT
15 CONTEMPLATED AN EXECUTIVE SESSION. AND ON THE
16 POLICY SIDE, WE CAN'T HAVE AN EXECUTIVE SESSION; BUT
17 WHEN WE GET TO THE RFP, ACTUALLY HAVING AN RFP,
18 BECAUSE OF CONTRACTUAL RELATIONSHIPS AND BIDDING
19 RELATIONSHIPS, JAMES, IT'S MY UNDERSTANDING WE COULD
20 HAVE AN EXECUTIVE SESSION AT THAT TIME; IS THAT
21 CORRECT?

22 MR. HARRISON: THERE MAY BE CERTAIN
23 CIRCUMSTANCES AND CERTAIN INFORMATION THAT WE COULD
24 CONSIDER IN CLOSED SESSION, BUT WE'D HAVE TO TAKE A
25 CLOSER LOOK AT THAT IN CONNECTION WITH THE RFP

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1 ITSELF.

2 MR. KLEIN: BUT AT THIS TIME AS A POLICY
3 DISCUSSION, DR. AZZIZ, WE DON'T HAVE A STATUTORY
4 BASIS FOR AN EXECUTIVE SESSION.

5 DR. AZZIZ: THAT'S FINE. I'M JUST TRYING
6 TO MAKE SURE THAT I DON'T -- I DO HAVE SOME CONCERNS
7 ABOUT THIS. OBVIOUSLY THE DEVIL'S ALWAYS IN THE
8 DETAILS. THIS IS A COMPLEX BANKING ARRANGEMENT, AND
9 I DON'T WANT TO CONTINUE TO DISTRACT FROM THE
10 CONVERSATION. I KNOW DAVID NEEDS TO GO AHEAD AND/OR
11 PETER NEEDS TO GO AHEAD AND FINISH THEIR
12 PRESENTATION. SO I DIDN'T KNOW AT WHAT TIME WERE WE
13 GOING TO HAVE A MORE THOROUGH DISCUSSION ABOUT THIS
14 PROPOSAL.

15 CHAIRMAN GOLDBERG: WHAT WE CAN DO IS IN
16 CONNECTION WITH THE PREPARATION OF THE DRAFT RFP AND
17 BEFORE ITS FINAL ISSUANCE, I WOULD SUGGEST THAT
18 WOULD BE THE RIGHT TIME TO HAVE A FINANCE COMMITTEE
19 AGENDA TOPIC, A, A MEETING CALLED AND, B, A TOPIC ON
20 ANY OF THE PARTICULAR ISSUES RELATED TO THAT. SO
21 I'M FULLY SUPPORTIVE.

22 DR. AZZIZ: THANK YOU.

23 MR. KLEIN: CAN THEY GO THROUGH THEIR
24 DESCRIPTION OF THE FUNCTIONS?

25 CHAIRMAN GOLDBERG: COULD YOU WALK US

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1 SLIDE 4, PLEASE.

2 MR. SCOTT: SO THAT'S WHERE WE'RE REALLY
3 GETTING TO, I THINK, THE KEY PART OF WHERE SILICON
4 VALLEY BANK WOULD COME IN AND THE FUNCTIONS THAT WE
5 WOULD BE PROVIDING.

6 SO, FIRST, LET ME START WITH THE
7 UNDERWRITING AND FINANCIAL DUE DILIGENCE. SO WHAT
8 THAT WOULD ENTAIL IS THAT, AGAIN, BASED ON CIRM
9 LOOKING AT A DEAL AND INSTRUCTING US TO THEN LOOK AT
10 THE DEAL AND POTENTIALLY PUT A DEBT TRANSACTION IN
11 PLACE, WHAT WE WOULD DO THERE IS OUR STANDARD
12 DILIGENCE THAT WE DO, VERY SIMILAR TO WHAT WE DO FOR
13 ALL OF OUR LOANS TO EARLY STAGE LIFE SCIENCE
14 COMPANIES, AND THAT WOULD BE AN INITIAL LIEN AND TAX
15 SEARCH TO MAKE SURE THAT THERE AREN'T ANY LIENS FROM
16 OTHER LENDERS OR ANY TAX ISSUES WITH THE COMPANY.

17 WE WOULD DO A STANDARD CREDIT HISTORY
18 SEARCH, AND THAT'S WHERE WE DO DILIGENCE ON BOTH THE
19 COMPANY'S AND THE KEY PRINCIPALS OF THE COMPANY,
20 THEIR CREDIT HISTORY AND ANY ISSUES WITH THAT
21 HISTORY.

22 AND THEN, IN ADDITION TO THAT, WE WOULD DO
23 AN ANALYSIS, A CASH FLOW ANALYSIS, INCLUDING
24 SOMETHING WE CALL REMAINING MONTH LIQUIDITY
25 ANALYSIS, WHICH SIMPLY IS JUST A LOOK AT THE

BARRISTERS' REPORTING SERVICE

1 COMPANY'S EXISTING AND PROJECTED BURN RATE AND HOW
2 THAT RELATES TO THEIR TOTAL LIQUIDITY AND HOW MUCH
3 TIME THE COMPANY HAS TO GET TO CERTAIN MILESTONES,
4 VALUE-DRIVING MILESTONES TYPICALLY. SO THAT WOULD
5 BE THE UNDERWRITING FINANCIAL DUE DILIGENCE.

6 MR. KLEIN: AND IF THEY'RE -- THIS IS BOB
7 KLEIN. IF THEIR MILESTONES WERE TO TAKE THEM TO A
8 PHASE I TRIAL, AND IT WERE CLEAR TO YOU FROM ONE OF
9 THEIR LATER MILESTONES THAT THEY HAD NOT BUDGETED
10 SOME OF THE MONEY THAT YOU WOULD NORMALLY EXPECT
11 THAT WOULD BE REQUIRED TO GET THROUGH TOXICITY OR
12 FDA PROCESSING, WOULD YOU, A, CALL IT TO THEIR
13 ATTENTION AND OUR ATTENTION AND ASK THEM TO
14 DEMONSTRATE THEY'D ADEQUATELY BUDGETED THAT AREA AND
15 BALANCE FOR ANY -- SHOW THEIR SOURCE OF BALANCE FOR
16 ANY ADDITIONAL FUNDING?

17 MR. SCOTT: YES. THAT WOULD BE PART OF
18 OUR STANDARD DILIGENCE IS LOOKING AT THAT PROJECTED
19 BURN RATE AND HOW IT RELATES TO KEY MILESTONES AND
20 KEY VALUE DRIVERS. AND IF THERE WAS SOMETHING WHERE
21 THERE SEEMED TO BE A SHORT, WE WOULD GO BACK TO BOTH
22 THE COMPANY AND THEN ULTIMATELY CIRM TO LOOK AT HOW
23 THEY CAN POTENTIALLY FILL THAT GAP.

24 CHAIRMAN GOLDBERG: THANK YOU.

25 MR. SCOTT: AND THEN ON THE LOAN

BARRISTERS' REPORTING SERVICE

1 DOCUMENTATION SIDE, THIS IS ACTUALLY A KEY PIECE
2 BECAUSE WHAT WE WOULD DO THERE IS DRAFT AND
3 NEGOTIATE A LOAN AND SECURITY AGREEMENT ON THE
4 COMPANY AND GO THROUGH ALL THE PERFECTIONS OF ALL
5 THE COMPANY'S ASSETS, INCLUDING AN ACCOUNT CONTROL
6 AGREEMENT ON THE COMPANY'S CASH, WHETHER THAT BE AT
7 SILICON VALLEY BANK, ONE OF OUR AFFILIATES, OR, AS
8 WE TALKED ABOUT BEFORE, SOMEWHERE ELSE, AND MAKING
9 SURE THAT WE'RE PERFECTED ON ALL THE COMPANY'S CASH.
10 AND THEN WE WOULD ALSO GO THROUGH THE PERFECTION OF
11 THE COMPANY'S INTELLECTUAL PROPERTY. AND THAT WOULD
12 MEAN FILING AT THE U.S. PATENT OFFICE AND MAKING
13 WE'RE PERFECTED ON THE IP OF THE COMPANY FOR THE
14 LOAN GOING FORWARD.

15 ON THE LOAN ADMINISTRATION PART, THIS IS
16 BASICALLY OUR MONITORING OF THE LOAN AND SECURITY
17 AGREEMENT AND ALL OF THE THINGS THAT WE REQUIRE THE
18 COMPANY TO DO. AND I ACTUALLY HAVE AN ATTACHMENT
19 THAT DESCRIBES THAT IN MORE DETAIL, BUT BASICALLY
20 IT'S THINGS LIKE MAKING SURE THE COMPANY IS IN
21 COMPLIANCE WITH GOVERNMENT REGULATIONS AND IS IN
22 GOOD BUSINESS STANDING. LIKE THINGS THAT THEY'RE
23 REPORTING THEIR FINANCIAL STATEMENTS IN ACCORDANCE
24 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, THAT
25 THE COMPANY'S TAXES ARE ALL PAID, THAT WE WOULD BE

BARRISTERS' REPORTING SERVICE

1 MONITORING THAT THEY'RE PAYING ALL THEIR FEDERAL,
2 LOCAL, PAYROLL TAXES. THAT THE IP IS PROPERLY
3 DOCUMENTED AND REGISTERED. AGAIN, THERE'S A LIST ON
4 PAGE 6. IT GOES THROUGH ALL THE DETAILS. I WON'T
5 MENTION THEM ALL. BUT THAT'S THE ONGOING ANALYSIS
6 AND ONGOING MONITORING THAT SILICON VALLEY BANK
7 WOULD BE DOING.

8 IN ADDITION TO THAT, WE WOULD BE
9 MONITORING THROUGH THE NEGATIVE COVENANTS IN THE
10 LOAN DOCUMENTATION THAT THE COMPANY IS IN COMPLIANCE
11 WITH A NUMBER OF THINGS. AND, AGAIN, I WON'T GO
12 THROUGH ALL OF THEM, BUT THERE'S SOME HIGHLIGHTED
13 HERE THAT THE COMPANY'S NOT PAYING ANY DIVIDENDS,
14 FOR EXAMPLE, OR LEVERAGING UP WITH ADDITIONAL DEBT
15 FROM SOME OTHER ENTITY THAT EITHER SILICON VALLEY
16 BANK OR CIRM IS NOT AWARE OF. ALL OF THOSE KIND OF
17 NEGATIVE COVENANTS THAT WE MONITOR ON A MONTHLY
18 BASIS WITH THE COMPANY.

19 SO THAT'S THE KEY PART OF THE LOAN
20 ADMINISTRATION PART OF THE FUNCTIONS THAT WE'D BE
21 PROVIDING.

22 LET ME TALK A LITTLE BIT ON THE
23 DISBURSEMENT AND COLLECTION SIDE BECAUSE I THINK
24 THIS IS KEY. ON THE DISBURSEMENT SIDE, WE WOULD
25 OBVIOUSLY BE DISBURSING THE LOAN INTO THEIR ACCOUNT

BARRISTERS' REPORTING SERVICE

1 AND DOING ALL OF THE STANDARD OPERATIONAL STUFF; BUT
2 IN ADDITION TO THAT, UNDER THE AGREEMENT THAT HAS
3 BEEN PUT IN PLACE WITH CIRM, WE WOULD DISBURSE THE
4 LOAN BASED ON THE REQUIRED FINANCIAL MILESTONES THAT
5 ARE PUT IN PLACE UNDER THE CIRM AGREEMENT.

6 AND SO THAT WOULD INCLUDE WHETHER THAT'S A
7 SCIENTIFIC MILESTONE, A FINANCIAL MILESTONE THAT AS
8 SOON AS WE GOT CONFIRMATION THE MILESTONE WAS MET,
9 WE WOULD THEN BE ABLE TO DISBURSE MONEY BASED ON
10 THAT. THAT MAY BE MATCH FUNDING OR, YOU KNOW,
11 WHATEVER KEY MILESTONES THAT YOU'VE BUILT INTO THE
12 AGREEMENT BASE THAT ALLOWS FOR THE DISBURSEMENT OF
13 THE LOAN.

14 AND THEN WE WOULD DO THE BASIC PART ABOUT
15 COLLECTING THE INTEREST, PRINCIPAL. WHEN THE LOAN
16 COMES DUE, WE WOULD BE IN CHARGE OF GETTING THE LOAN
17 PAID BACK FROM THE COMPANY AND ALL THOSE KIND OF
18 ONGOING PIECES.

19 MR. KLEIN: NOW, THIS IS BOB KLEIN. IS IT
20 PETE THAT'S SPEAKING?

21 MR. SCOTT: YES.

22 MR. KLEIN: PETE, MY RECOLLECTION WAS THAT
23 AS TO STOCK WARRANTS, YOU WOULD ACTUALLY MONITOR THE
24 CONTRACT WITH AN OUTSIDE COUNSEL THAT WAS ALSO
25 OVERSEEN BY CIRM FOR THE EXECUTION ON ANY STOCK

BARRISTERS' REPORTING SERVICE

1 WARRANTS THAT MAY MATURE. MAYBE YOU COULD DESCRIBE
2 A LITTLE BIT MORE. I ALSO UNDERSTAND THAT THERE IS
3 A SPECIALIZED SERVICE CENTER POTENTIALLY ASSOCIATED
4 WITH THE BANK OR AVAILABLE BY CONTRACT THAT MIGHT BE
5 ABLE TO HANDLE THAT TRANSACTION AND ESCROW FUNDS
6 INVOLVED WITH THAT.

7 MR. SCOTT: YES. LET ME SEPARATE THE
8 QUESTION A LITTLE BIT. SO IN TERMS OF THERE BEING
9 AN ESCROW-TYPE ACCOUNT FOR CERTAIN MILESTONES, THE
10 BANK COULD PROVIDE THAT SERVICE. AND WHAT I'M
11 ASSUMING IS IT WOULD BE TYPICALLY AROUND THE
12 DISBURSEMENT OF THE LOAN, WHETHER IT BE MATCH
13 FUNDING OR A SCIENTIFIC MILESTONE IS MET AND
14 CERTIFIED TO, SILICON VALLEY BANK COULD DISBURSE THE
15 LOAN BASED ON THOSE MILESTONES.

16 MR. KLEIN: AFTER SCIENTIFIC RELEASE AND
17 APPROVED RELEASE FROM THE AGENCY?

18 MR. SCOTT: CORRECT. CORRECT. YEAH,
19 THAT'S HOW WE WOULD LOOK AT IT. AND I'D
20 SPECIFICALLY TALK ABOUT THE PARTICIPATION
21 CERTIFICATE AS PART OF THAT. SO I GUESS WHAT I'M
22 ENVISIONING, TO USE AN EXAMPLE, IF THERE'S A CERTAIN
23 SCIENTIFIC MILESTONE AND EVERYONE AT THE BOARD LEVEL
24 AGREES THAT THE COMPANY HAS MET IT, THEN THE CIRM
25 WOULD THEN PROVIDE THE PARTICIPATION CERTIFICATE,

BARRISTERS' REPORTING SERVICE

1 WHICH WOULD THEN -- SILICON VALLEY BANK WOULD THEN
2 DISBURSE THE LOAN BASED ON THAT.

3 MR. KLEIN: AND THEN COULD YOU ADDRESS THE
4 WARRANT ISSUE?

5 MR. SCOTT: SURE. SO ON THE WARRANT SIDE,
6 WE -- NOW, AGAIN, THE WARRANTS ARE ALL GOING TO GO
7 TO CIRM. THAT'S GOING TO BE THE ENTITY THAT'S GOING
8 TO HOLD THE WARRANT. HOWEVER, WE HAVE A GROUP
9 BECAUSE WE DO THIS KIND OF LENDING, AND SO WE HAVE A
10 GROUP THAT MONITORS WARRANTS. AND SO WE COULD ALSO
11 BE PART OF THAT IN THAT WE WOULD MONITOR -- WELL,
12 FIRST OFF, IT PROVIDES THE DOCUMENTATION AND THE
13 NEGOTIATION OF THE WARRANT, BUT THEN MONITOR A
14 WARRANT ON A GO-FORWARD BASIS SO THAT, TO THE EXTENT
15 THAT ANYTHING HAPPENS, LIKE IF THERE'S ANOTHER ROUND
16 AND DILUTION AND ANTIDILUTION PROTECTION OF THE
17 WARRANT, ALL THOSE THINGS WE WOULD MONITOR THROUGH
18 OUR GROUP TO MAKE SURE THAT ALL THE WARRANT HOLDERS
19 ARE PROTECTED ON THAT.

20 CHAIRMAN GOLDBERG: GREAT.

21 MR. SCOTT: AND THEN ON PAGE 5 IS A VERY
22 SIMPLE SPREAD OF HOW WE'RE PROPOSING THE PRICING ON
23 IT BE STRUCTURED. AS YOU CAN SEE, BASICALLY WHAT WE
24 SAID THERE WAS THAT THE SPREAD ON WHAT WE WOULD BE
25 PAYING CIRM ON THE PARTICIPATION CERTIFICATE VERSUS

BARRISTERS' REPORTING SERVICE

1 WHAT WE WOULD BE CHARGING THE COMPANY HAS BEEN
2 OUTLINED BASED ON THE SIZE OF THE LOAN. AND THEN
3 THERE'S A COMMITMENT FEE STRUCTURE THAT WOULD BE
4 CHARGED ON THE COMMITMENT OF THE LOAN. AND, AGAIN,
5 THAT GOES DOWN BASED ON THE SIZE OF THE LOAN.

6 AND SO, YOU KNOW, UP TO ABOUT A MILLION
7 DOLLARS, IT'S A 2-PERCENT SPREAD WITH A COMMITMENT
8 FEE OF A HALF PERCENT OF THE DOLLAR AMOUNT OR THE
9 HIGHER OF THAT OR \$5,000. SO THAT WOULD BE THE
10 INITIAL PAYMENT TO SILICON VALLEY BANK FOR THE
11 UNDERWRITING AND NEGOTIATION OF THE LOAN
12 DOCUMENTATION.

13 MR. KLEIN: AND IF THE WARRANTS WERE TO
14 MATURE SO THAT THERE WOULD BE A TRANSACTION FOR
15 COLLECTION -- FOR SALE AND COLLECTION OF THOSE, IS
16 IT MY UNDERSTANDING THERE WOULD BE A SEPARATE
17 TRANSACTION-BASED FEE ON THAT TRANSACTION EVENT?

18 MR. SCOTT: SO YOU MEAN IF THERE WAS A
19 WARRANT -- IF YOU EXECUTED YOUR WARRANT?

20 MR. KLEIN: RIGHT. SO THE LOAN IS
21 PROGRESSING, AND THERE'S AN EVENT WHERE THE WARRANTS
22 HAVE VERY SUBSTANTIAL VALUE, AND WE WANT TO SELL
23 THOSE WARRANTS, IN HANDLING THE ACTUAL TRANSACTION,
24 IS THERE A SEPARATE FEE FOR EXECUTING ON THOSE
25 WARRANTS AND COLLECTING THE FUNDS?

BARRISTERS' REPORTING SERVICE

1 MR. SCOTT: YOU KNOW WHAT. THAT HAS NOT
2 BEEN CONTEMPLATED. AND SO I DON'T HAVE THOSE
3 SPECIFIC NUMBERS FOR YOU.

4 CHAIRMAN GOLDBERG: I GUESS THERE ARE TWO
5 WAYS THAT SOMETHING LIKE THAT COULD HAPPEN AS I'M
6 THINKING ABOUT THIS. ONE IS -- THIS IS SUBJECT TO
7 WHAT WE HAVE THE ABILITY TO DO LEGALLY. WE COULD
8 EXERCISE, WE COULD, CIRM, USE ITS CREDIT CAPABILITY
9 TO EXERCISE AND DISPOSE OF, OR ALTERNATIVELY WE
10 WOULD SELL THE WARRANTS THEMSELVES AND LET WHOEVER
11 IS THE PURCHASER OF THE WARRANTS DO THAT,
12 RECOGNIZING THE WARRANTS ARE IN THE MONEY.

13 MR. KLEIN: MAYBE, JAMES, YOU COULD GIVE
14 US THE CONTEXT FOR THIS DISCUSSION THAT I'M WORKING
15 WITHIN SO THAT EVERYONE HAS THE SAME LEGAL CONTEXT.

16 MR. HARRISON: UNDER THE CALIFORNIA
17 CONSTITUTION, THE STATE AND STATE AGENCIES LIKE CIRM
18 ARE PROHIBITED FROM BEING STOCKHOLDERS OR
19 SUBSCRIBING TO STOCK. IN OTHER WORDS, WHILE CIRM
20 COULD HOLD THE WARRANT AND TRANSFER IT TO ANOTHER
21 PARTY WHO COULD EXECUTE IT, CIRM DOES NOT HAVE THE
22 LEGAL CAPACITY TO EXECUTE IT ITSELF AND BECOME A
23 STOCKHOLDER.

24 CHAIRMAN GOLDBERG: GOT IT. SO WE'D HAVE
25 TO ASSURE THE TRANSFERABILITY OF THE WARRANTS, AND

BARRISTERS' REPORTING SERVICE

1 THE BANK COULD BE AN AGENT IN THAT TRANSACTION.

2 MR. HARRISON: THAT'S RIGHT.

3 CHAIRMAN GOLDBERG: OKAY. THANK YOU.

4 MR. SCOTT: BUT TO ANSWER YOUR QUESTION,
5 BOB, WE DON'T HAVE -- I HAVEN'T OUTLINED THAT PIECE
6 OF IT, SO WE CAN FOLLOW UP ON HOW THAT --

7 CHAIRMAN GOLDBERG: THAT WOULD BE HELPFUL.

8 MR. SCOTT: RIGHT. AND THEN, AGAIN, I'VE
9 ALREADY KIND OF GONE THROUGH ATTACHMENT B WHERE I'M
10 NOT GOING TO GO THROUGH ALL THE DETAILS, BUT YOU CAN
11 SEE THEM THERE ABOUT THE MONITORING SIDE OF THINGS.
12 SO THAT'S THE OVERVIEW.

13 CHAIRMAN GOLDBERG: OKAY. THAT'S
14 EXTREMELY HELPFUL. LET ME GO ROUND TO ALL MY
15 COMMITTEE MEMBERS AND ASK FOR ANY QUESTIONS AT THIS
16 POINT.

17 MR. ROTH: SO I HAVE FOUR QUICK COMMENTS.
18 THANKS, PETE AND JOHN. I THINK THIS IS A VERY GOOD
19 START.

20 THE CONCEPT HERE IS REALLY PASS/FAIL AND
21 NOT DEGREES OF EVALUATION HERE. AND I THINK
22 WHATEVER THE CRITERIA ARE, WHATEVER THAT PASS/FAIL,
23 WE MUST ASCRIBE FAILURE IN YOUR DUE DILIGENCE SO
24 THAT THE APPLICANTS KNOW BEFORE THEY EVER APPLY THE
25 KINDS OF THINGS THAT WE WOULD SAY YOU DON'T QUALIFY

BARRISTERS' REPORTING SERVICE

1 FOR THIS LOAN. IN OTHER WORDS, WE WANT TO AVOID THE
2 FACT YOU'VE GONE THROUGH THE SCIENTIFIC REVIEW AND
3 THEN YOU HAVE SOMETHING COME UP IN THE REVIEW BY THE
4 OUTSIDE UNDERWRITER THAT IS DEEMED FAILURE. JUST A
5 THOUGHT WHEN YOU GO BACK AND WE START FINE-TUNING
6 THINGS PASS/FAIL.

7 THE SECOND IS THAT WE HAVE TO REALIZE THAT
8 ANY OF THE BANKS THAT DO THE VENTURE BANKING LIKE
9 SILICON VALLEY BANK, ANY OR MOST OF THESE WOULD NOT
10 QUALIFY. YOU WILL NOT BE DOING BUSINESS WITH THEM.
11 SO THE DEGREE OF WHICH YOU MIGHT SCRUTINIZE ON
12 COLLATERAL AND THINKING ABOUT THINGS YOU DESCRIBED
13 MAY OR MAY NOT APPLY. AND I THINK WE HAVE TO BE
14 CAREFUL THAT IT DOESN'T BECOME ONEROUS, PARTICULARLY
15 EARLY STAGE OR FIVE PERSONS KINDS OF START-UPS. AND
16 WHEN I HEAR THINGS LIKE, WELL, PERFECTING THE IP AND
17 ALL THOSE THINGS, THAT'S GOING TO BE, I THINK, SOME
18 WORK. AND WE SHOULD CONSIDER CAREFULLY BEFORE WE
19 DECIDE THAT WE WANT THAT MUCH. WE CERTAINLY DON'T
20 DO THAT KIND OF WORK ON THE GRANT SIDE.

21 NO. 4, THE DOCUMENT THAT WE SEND TO THE
22 ICOC ON THURSDAY, MICHAEL, I REALLY THINK WE SHOULD
23 SEND A GENERIC ONE. AND I LOVE SILICON VALLEY BANK.
24 THEY'RE GREAT. BUT I THINK THIS WOULD PREJUDICE AND
25 BIAS OTHERS THAT IT'S A PREGONE CONCLUSION THEY'RE

BARRISTERS' REPORTING SERVICE

1 GOING TO DO THIS. AND WHILE THEY WOULD CERTAINLY BE
2 ONE OF THE PEOPLE TO RESPOND TO THE RFP, I THINK
3 IT'S IN THEIR BEST INTEREST IF WE DON'T GET TOO FAR
4 DOWN THE ROAD LIKE THIS IS ALREADY PREDECIDED.

5 THAT'S JUST A SUGGESTION THAT WE
6 GENERICIZE THIS DOCUMENT. AND I WOULD PULL OUT OF
7 IT THINGS LIKE RICARDO WAS TALKING ABOUT IN TERMS OF
8 THE BANKING RELATIONSHIP. I THINK WE NEED TO DECIDE
9 THAT AMONG OURSELVES WHETHER THAT'S GOING TO BE A
10 REQUIREMENT BECAUSE I THINK I WOULD AGREE THAT
11 THAT'S GOING TO HAVE TO BE HANDLED VERY CAREFULLY.

12 THOSE ARE MY FOUR COMMENTS. AND, BOB, IN
13 TERMS OF DEALING WITH HOW WE HANDLE THE WARRANTS, I
14 THINK THAT'S MAYBE A SEPARATE ISSUE. IF WE DO WANT
15 TO COMBINE IT, THEN I WOULD GET IT IN HERE FOR THIS
16 PARTICULAR DOCUMENT.

17 MR. KLEIN: WELL, I THINK THE KEY, DUANE,
18 IS TO BE ABLE TO HAVE THE OPTION TO COMBINE IT FOR
19 ADMINISTRATIVE SIMPLICITY AND CONTINUITY SO WE DON'T
20 HAVE GAPS IN IT.

21 BUT ON THE OTHER POINT, I UNDERSTAND
22 CONCEPTUALLY YOUR POINT THAT ON A CREDIT BASIS WE
23 WANT A HIGH PREDICTABILITY. BUT IF THEY'VE LEFT IN
24 THEIR BUDGET A MAJOR COST-OUT AND WE CAN IDENTIFY
25 THAT, THEY'RE GOING TO HAVE TO FIGURE OUT WHAT A

BARRISTERS' REPORTING SERVICE

1 REASONABLE BUDGET IS AND SHOW US A REASONABLE
2 EXPECTANCY OF WHERE THAT MONEY WILL COME FROM SO
3 THAT WE DON'T GET DOWNSTREAM AND HAVE A GAP WE
4 HAVEN'T FACED. SO I DON'T THINK YOU MEANT TO MODIFY
5 THAT POSITION IN YOUR COMMENT ABOUT PASS/FAIL
6 BECAUSE THERE ARE, IN FACT, A NUMBER OF THINGS IN
7 THE REVIEW THAT MIGHT ARISE THAT COULD STRENGTHEN
8 THEIR PLAN, GIVE THEM SOME DOWNSTREAM VISION BECAUSE
9 WE'RE WORKING WITH A BUSINESS REVIEW ENTITY THAT HAS
10 SUBSTANTIAL EXPERIENCE, POTENTIALLY A LOT BROADER
11 EXPERIENCE THAN THE COMPANY THAT'S APPLYING.

12 SO THIS CAN BE A BENEFIT TO THE COMPANY
13 AND TO US TO MAKE SURE WE'VE COVERED THE BASES
14 ADEQUATELY.

15 MR. ROTH: BOB, ON THAT, ALL I'M SAYING IS
16 LET'S BE VERY CLEAR WHAT WE'RE DEFINING. THEY HAVE
17 TO KNOW THE RULES. IF THE RULES SAY THAT WE'RE
18 LOOKING FOR -- THE SCOPE AND HOW COMPREHENSIVE THAT
19 BUSINESS REVIEW IS GOING TO BE IS WHAT I THINK IS
20 GOING TO BE IMPORTANT.

21 THE REASON I BROUGHT THIS ALL UP IS,
22 REMEMBER, PROBABLY NINE OUT OF TEN OF OUR LOAN
23 RECIPIENTS WOULD NOT MAKE ANY OF THESE BANKS IN
24 TERMS OF VENTURE BANKING. WE NEED TO MAKE SURE
25 WE'RE THINKING THAT WAY GOING IN. OTHERWISE WE MAY

BARRISTERS' REPORTING SERVICE

1 END UP WITH A LOT OF COMPANIES THAT DON'T PASS THAT
2 TEST.

3 MR. KLEIN: AND I'D LIKE TO HEAR OTHER
4 COMMENTS TOO, DUANE, BECAUSE AT THE BOARD LEVEL,
5 IT'S EXTREMELY HELPFUL TO BE ABLE TO HAVE A BANK
6 THERE TO ANSWER QUESTIONS WHEN WE'RE REVIEWING THIS.
7 AND, YOU KNOW, WE HAVE A LOT OF MEMBERS ON THE BOARD
8 FROM INSTITUTIONS THAT APPLY. THEY DON'T GET TO
9 COMMENT OR VOTE ON THEIR INSTITUTIONS, BUT IT
10 DOESN'T PREJUDICE THE OUTCOME. WE VOTE FOR THE
11 MISSION AND THE BEST SCIENCE. BUT WE NEED THE BEST
12 INFORMATION ON AN INCREMENTAL BASIS. AND IN AN RFP
13 PROCESS, ALL THE COMPANIES WILL BE ABLE TO MAKE AN
14 APPEARANCE AND ANSWER QUESTIONS. AND THEY'RE,
15 FRANKLY, GOING TO ALL BENEFIT FROM THE WORK SILICON
16 VALLEY BANK HAS DONE TO DATE.

17 SO THEY'RE GOING TO GET AN ADVANTAGE OUT
18 OF THIS PROCESS. BUT AT THE BOARD LEVEL, I'D AT
19 LEAST LIKE TO HEAR DISCUSSION BECAUSE I THINK THAT
20 THE BOARD MEMBERS SHOULD ALL HAVE AN ABILITY AS WE
21 HAVE ON THIS CALL TO ASK QUESTIONS OF SILICON VALLEY
22 BANK SO THAT THEY CAN GET THEIR THINKING -- THEY CAN
23 GET SOME INFORMATION, REMEMBERING WE'RE GOING TO GO
24 THROUGH ANOTHER FINANCE COMMITTEE AND ANOTHER BOARD
25 MEETING WHERE WE HAVE EQUAL ACCESS.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: COMMENTS FROM OTHER
2 MEMBERS ON THE POINT OF DUANE'S AND BOB'S ABOUT
3 GENERICIZING THIS? I THINK WHAT BOB'S POINT IS IS
4 THAT TO THE EXTENT THAT SILICON VALLEY BANK IS
5 AVAILABLE, WE'D LIKE TO HAVE THEM PRESENT TO
6 ACTUALLY WALK THIS THROUGH AS A STRAWMAN FOR THE
7 BENEFIT OF THE BOARD AND THE PUBLIC.

8 MR. ROTH: I DON'T MIND THAT. THAT'S NOT
9 WHAT I SAID. I'M JUST SAYING WHEN YOU PASS OUT
10 DOCUMENTS AND IT'S SVB ALL OVER IT, IT WOULD APPEAR
11 THAT THERE'S A DECISION BEEN MADE. AND WE HAVE AN
12 RFP. I WOULD SIMPLY MAKE SURE THAT WE DON'T BIAS
13 AND PREJUDICE AGAINST ANYONE.

14 MR. KLEIN: I DO UNDERSTAND IN THAT
15 CONTEXT, SO WE COULD JUST -- WE CAN TAKE THIS COVER
16 SHEET OFF WITH THE COOPERATION OF THE BANK, AND THEN
17 SAY JUST PROPOSE STRUCTURE WITHOUT SAYING SVB
18 STRUCTURE, BUT HAVE THE BANK AVAILABLE TO DISCUSS
19 THIS STRUCTURE AND HOW THEY WOULD RESPOND WITH THIS
20 STRUCTURE TO THESE POINTS.

21 MR. ROTH: I THINK THAT WOULD BE BETTER
22 JUST TO MAKE SURE. YOU KNOW, WE CAN --

23 MR. KLEIN: I GET YOUR POINT. IS THAT
24 REASONABLE TO PETE AND TO JOHN?

25 MR. SCOTT: YEAH, THAT'S FINE. YOU COULD

BARRISTERS' REPORTING SERVICE

1 SIMPLY JUST REPLACE -- TAKE OUT THE FIRST PAGE AND
2 REPLACE SVB WITH BANK. SO THAT WOULD --

3 MR. KLEIN: OKAY. AND WE DO DEEPLY
4 APPRECIATE THIS, AND IT WILL BENEFIT EVERYONE,
5 INCLUDING YOUR COMPETITORS, ON HOW TO PUT A
6 STRUCTURE TOGETHER THAT WILL WORK FOR EVERYONE.

7 DR. AZZIZ: I JUST WANT TO ASK JOHN OR
8 PETE A QUESTION, IF I COULD.

9 CHAIRMAN GOLDBERG: SURE.

10 DR. AZZIZ: JOHN, WE APPRECIATE YOU DOING
11 THAT. AND DUANE IS CORRECT. IT WAS A LITTLE BIT
12 CONFUSING INITIALLY, BUT NOW IT'S BETTER.

13 IN YOUR FINANCIAL DUE DILIGENCE, LIEN AND
14 TAX AND SO ON, DOES THAT INVOLVE FIGURING OUT HOW
15 MUCH VC CAPITAL IS IN THE COMPANIES AND SO ON? I
16 DON'T KNOW IF THAT ALWAYS IS RECORDED AS A LIEN.

17 MR. SCOTT: WE WOULD BE TAKING A LIEN ON
18 ALL THE COMPANY'S ASSETS UNDER YOUR DIRECTION, OF
19 COURSE. I'M ASSUMING THAT THESE DEALS, YOU WOULD BE
20 REQUIRING A LIEN ON ALL THE COMPANY'S ASSETS. AND
21 SO WE WOULD BE LIENING ALL OF THEIR ASSETS,
22 INCLUDING, YES, THE VENTURE CAPITAL MONEY THAT
23 THEY'VE RAISED. SO THAT WOULD BE UNDER THE SAME
24 BLANKET LIEN THAT WE'D BE TAKING.

25 MR. KLEIN: IN LINE WITH DUANE'S EARLIER

BARRISTERS' REPORTING SERVICE

1 COMMENT, WHAT WE'VE DISCUSSED IN THE WORKING GROUPS
2 PREVIOUSLY, THE TASK FORCE PUBLIC SESSIONS, WAS THAT
3 WHILE WE NEED TO KNOW ALL OF THE LIABILITIES AND WE
4 NEED TO KNOW THEIR CAPITAL FOOTINGS, THAT WE WOULD
5 HAVE SOME VERY REASONABLE PROVISIONS FOR
6 SUBORDINATING OUR LOAN TO LATER LOANS AS LONG AS
7 THEY ADVANCE THE MISSION AND FURTHER PUSH THIS
8 DOWNSTREAM.

9 NOW, THE TASK FORCE HAS PUT FORTH CERTAIN
10 LOANS OF A SIGNIFICANT SIZE THAT WOULD ACTUALLY BE
11 QUALIFIED AS A LIQUIDITY EVENT, WHICH WOULD MEAN
12 THAT WE WOULD GET PAID OFF. BUT IN THE COMMENT
13 PERIOD, WE NEED TO WORK THROUGH UNDER WHAT
14 CONDITIONS WE WOULD SUBORDINATE. BUT CERTAINLY I
15 THINK, AS DUANE HAS INDICATED, OUR INTENT HERE IS TO
16 HELP THEM MOVE DOWNSTREAM AS A STIMULUS, AND WE'RE
17 NOT GOING TO HAVE A TRADITIONAL BANK LOAN WITHOUT
18 SUBORDINATION. WE JUST WOULD HAVE TO GIVE YOU VERY
19 CLEAR GUIDELINES.

20 MR. SCOTT: ABSOLUTELY. IF YOU SAID THIS
21 WAS GOING TO BE A SECOND OR EVEN A THIRD LIEN
22 POSITION OR PERHAPS EVEN NO LIEN, THEN WE WOULD WORK
23 UNDER THOSE INSTRUCTIONS AND DO SECOND, THIRD, OR AN
24 UNSECURED TRANSACTION.

25 CHAIRMAN GOLDBERG: OKAY. ANY OTHER

BARRISTERS' REPORTING SERVICE

1 QUESTIONS OR COMMENTS FOR PETE AND JOHN?

2 MS. KING: MICHAEL, I DON'T KNOW IF YOU
3 WERE PLANNING TO NEXT TURN IT OVER TO MEMBERS OF THE
4 PUBLIC, AND ALSO WE HAVE SOME STAFF MEMBERS HERE IN
5 SAN FRANCISCO, JUST A FLAG THAT WE HAVE BOTH OF
6 HERE, SOME OF WHICH, I BELIEVE, WOULD LIKE TO MAKE
7 COMMENTS OR ASK QUESTIONS.

8 CHAIRMAN GOLDBERG: SURE. RECOGNIZE,
9 PLEASE, THAT WE LOSE THE SVB PARTICIPANTS AT 3:30,
10 SO I'D ASK PEOPLE TO BE BRIEF AND START WITH THE
11 PUBLIC.

12 MS. KING: WE'LL KEEP IT AS BRIEF AS WE
13 CAN. ANY QUESTIONS OR COMMENTS FROM THE PUBLIC HERE
14 IN SAN FRANCISCO? NOT AT THIS TIME, BUT I KNOW WE
15 DO HAVE ONE STAFF MEMBER, DR. PATRICIA OLSON, WHO
16 HAS EITHER A QUESTION OR COMMENT OR POTENTIALLY
17 BOTH.

18 DR. OLSON: I JUST WANTED TO MAKE THE
19 COMMENT IN REFERENCE TO DUANE'S COMMENT ABOUT THAT
20 WE DO NOT DO THIS KIND OF FINANCIAL DUE DILIGENCE
21 FOR THE GRANTS FOR FOR-PROFITS. WE WILL BE DOING
22 THIS. IN FACT, WE ARE RETAINING A CONSULTANT TO
23 HELP US WORK OUT THE KINDS OF FINANCIAL DUE
24 DILIGENCE INFORMATION THAT WE SHOULD BE ASKING FOR.
25 AND, YOU KNOW, IT WOULD BE, I THINK, HELPFUL THAT

BARRISTERS' REPORTING SERVICE

1 WHATEVER BANK THAT WE END UP GOING WITH FOR THE
2 LOAN, THAT THERE IS SOME COMPATIBILITY. AND, AGAIN,
3 NOTING THAT THE FINANCIAL DUE DILIGENCE RECOGNIZES
4 THAT COMPANIES ARE AT DIFFERENT STAGES IN THEIR
5 EVOLUTION, AND THAT YOU WOULD HAVE APPROPRIATE DUE
6 DILIGENCE FOR DIFFERENT THINGS. AND THAT OBVIOUSLY
7 A LOAN HAS A LITTLE BIT OF A DIFFERENT THING. BUT
8 THAT IS SOMETHING WE WILL BE DOING.

9 CHAIRMAN GOLDBERG: POINT WELL TAKEN. AND
10 WE SHOULD MAKE SURE THAT THAT WORK IS COORDINATED
11 WITH THE RFP PROCESS.

12 MS. KING: NO OTHER COMMENTS OR QUESTIONS
13 HERE, MICHAEL.

14 DR. TROUNSON: I'M ACTUALLY HERE IN SAN
15 FRANCISCO. I JUST WONDERED WHETHER THERE'S --
16 WHAT'S -- HOW DOES THE PROGRAM ENVISAGE THE CHANGE
17 OF OWNERSHIP, MERGING THE GENERAL BUSINESS ACTIVITY
18 AND NATURE OF COMPANIES DURING THE PROCESS.

19 CHAIRMAN GOLDBERG: I THINK THE
20 RECOMMENDATION FROM THE TASK FORCE, AND, DUANE, YOU
21 CAN CORRECT ME IF MY MEMORY IS NOT ACCURATE, WAS
22 THAT A CHANGE OF CONTROL WAS A TRIGGERING EVENT FOR
23 THE PAYOFF OF THE LOAN. NOW, THAT COULD ALWAYS BE
24 NEGOTIATED, BUT IT CERTAINLY PROVIDES THE CIRM WITH
25 THE OPPORTUNITY TO OPT IN OR NOT WITH A CHANGE OF

BARRISTERS' REPORTING SERVICE

1 CONTROL TRANSACTION.

2 MR. ROTH: MICHAEL, THAT'S CORRECT.
3 THAT'S COVERED IN THE POLICY. SO CHANGE OF CONTROL
4 IS A DEFINED TERM. AND ANY TIME THAT HAPPENS,
5 THERE'S ACCELERATION OF THE LOAN.

6 CHAIRMAN GOLDBERG: DOES THAT ANSWER YOUR
7 QUESTION, ALAN?

8 DR. TROUNSON: GENERALLY SPEAKING. I
9 DON'T THINK IT'S NECESSARILY -- IT MAY NOT BE
10 INFORMATION THAT'S DIRECTLY AVAILABLE TO US. BUT IF
11 THERE'S AN ONGOING MONITORING OF THE COMPANY BY THE
12 BANK, THAT WE MAY BE ALERTED TO THAT SOONER RATHER
13 THAN LATER.

14 CHAIRMAN GOLDBERG: GOOD POINT. IS THERE
15 ANY COMMENTS FROM ANY OF THE PUBLIC AT SITES IN
16 CEDARS OR POINTS SOUTH?

17 DR. AZZIZ: WE HAVE SOME COMMENTS HERE
18 FROM THE CEDARS SITE. GO AHEAD.

19 MR. ADAMS: HI, BILL ADAMS, INTERNATIONAL
20 STEM CELL. IN PRIOR MEETINGS WE TALKED ABOUT
21 RECOURSE AND NONRECOURSE LOANS. IS THAT OFF THE
22 TABLE, ON THE TABLE?

23 CHAIRMAN GOLDBERG: NO. THAT'S STILL PART
24 OF -- AGAIN, DUANE, YOU CAN PIPE IN HERE, BUT THE
25 DISCUSSION WE'VE HAD HAS BEEN BOTH RECOURSE AND

BARRISTERS' REPORTING SERVICE

1 NONRECOURSE WITH DIFFERENTIAL WARRANT COVERAGE. A
2 NONRECOURSE LOAN IS TO HAVE A HUNDRED PERCENT
3 WARRANT COVERAGE OVER THE LOAN AMOUNT, AND A FULL
4 RECOURSE LOAN IS 10 PERCENT WARRANT COVERAGE OVER
5 THE LOAN AMOUNT.

6 MR. KLEIN: SINCE THE SILICON VALLEY BANK
7 IS GOING TO LEAVE, CAN WE SEE IF THERE'S ANY OTHER
8 QUESTIONS FOR THEM BEFORE WE GO ANY FURTHER ON THIS
9 RESPONSE? BILL ADAMS, WOULD THAT BE OKAY?

10 MR. ADAMS: CERTAINLY.

11 MR. SIMPSON: THIS IS JOHN SIMPSON FROM
12 CONSUMER WATCHDOG. I DO HAVE A QUESTION FOR THEM.
13 WERE YOU PAID ANY FEE AT ALL TO DEVELOP THIS
14 INFORMATION? ARE YOU DOING THIS ESSENTIALLY AS A
15 MARKETING EFFORT?

16 MR. SCOTT: AS A MARKETING EFFORT. WE
17 WERE NOT PAID ANY FEE.

18 MR. SIMPSON: THANK YOU.

19 MR. KESSLER: THIS IS STEVE KESSLER. I'M
20 SPEAKING FROM THE STANDPOINT AS A BIOTECH SCIENTIST
21 WITH A DEVELOPMENT BACKGROUND. TWO ISSUES ON YOUR
22 ATTACHMENT B THAT I THOUGHT NEEDED SOME
23 CLARIFICATION.

24 FOR THE NEGATIVE COVENANTS AGAINST
25 ENTERING ANY OTHER INDEBTEDNESS OR ALLOWING OTHER

BARRISTERS' REPORTING SERVICE

1 LIENS TO EXIST AGAINST THE COMPANY, I CAN TELL YOU
2 FROM EXPERIENCE THAT, LET'S SAY, A \$16-MILLION LOAN,
3 WHICH IS BROKEN DOWN INTO FOUR ANNUAL INCREMENTS OF
4 \$4 MILLION, YOU'RE TALKING ABOUT 16 PEOPLE, WHICH IS
5 BARELY AT THE THRESHOLD TO PUSH A CELLULAR
6 THERAPEUTIC THROUGH PRECLINICAL DEVELOPMENT. WHAT
7 THAT MEANS IS THAT THE COMPANY IS GOING TO HAVE TO
8 RAISE ADDITIONAL CAPITAL TO STAY IN OPERATION,
9 FACILITIES TO SUPPORT RESEARCH, ADMINISTRATIVE,
10 THINGS LIKE THAT. SO THEY'RE GOING TO HAVE TO
11 SOMEHOW ENTER SOME ADDITIONAL INDEBTEDNESS. WHERE
12 THAT FUNDING COMES FROM, I DON'T KNOW IF IT'S GOING
13 TO CONFLICT WITH WHAT'S ON THE ATTACHMENT.

14 AND THEN THE SECOND ISSUE IS THAT WE KNOW
15 FROM EXPERIENCE OVER A DECADE AND A HALF -- I'M
16 HARD-PRESSED TO THINK OF A SINGLE CELL THERAPY
17 COMPANY, ESPECIALLY A STEM CELL-BASED THERAPY
18 COMPANY, THAT HAS NOT MISCALCULATED IN TERMS OF HOW
19 LONG IT TOOK TO GET FDA APPROVAL OF AN IND. IT'S IN
20 PART DUE TO THE COMPANY, AND IT'S IN PART BECAUSE
21 THE FDA IS A MOVING TARGET IN TERMS OF ITS APPROVAL
22 PROCESS.

23 I CAME FROM ANOTHER COMPANY IN THE PAST
24 CALLED SYSTEMIX. I KNOW CURRENT COMPANIES THAT ARE
25 WELL ALONG IN CLINICAL TRIALS. STEM CELLS,

BARRISTERS' REPORTING SERVICE

1 INC. UNEXPECTEDLY HAD A SLIGHT DELAY IN GETTING FDA
2 APPROVAL. GERON HAS TAKEN A BIT LONGER THAN
3 ANTICIPATED TO GET INTO THE CLINIC. ADVANCED CELL
4 TECHNOLOGY, MY COMPANY, HAS TAKEN A BIT LONGER TO
5 GET TOWARD THE CLINIC. AND SO IF YOU HAVE A HARD
6 AND FAST MILESTONE, IT'S MORE THAN LIKELY THAT WHEN
7 THE RUBBER HITS THE ROAD, YOU'RE NOT GOING TO BE
8 ABLE TO MEET THAT MILESTONE, AND THAT'S GOING TO
9 CAUSE A GREAT DEAL OF ANXIETY.

10 SO THERE NEEDS TO BE -- IN PART IT'S
11 BECAUSE THE FDA IS STILL MAKING UP ITS GUIDANCE AS
12 IT'S GOING ALONG, ESPECIALLY WITH CELL THERAPIES.
13 SO THERE NEEDS TO BE SOME PROVISION FOR
14 RENEGOTIATION FOR UNANTICIPATED DELAYS THAT ARE
15 BEYOND THE CONTROL OF THE COMPANY.

16 MR. KLEIN: THIS IS BOB KLEIN. AS
17 BACKGROUND AND FOR PETE OR JOHN, EITHER OF YOUR
18 RESPONSE, I'D JUST LIKE TO REMIND STEVE THAT WAS THE
19 PURPOSE OF MY COMMENT ABOUT SUBORDINATION PROVISIONS
20 AND REASONABLE SUBORDINATION. BUT AS WELL, IT WOULD
21 BE AS WE GO THROUGH THE BUSINESS, AS WE GO THROUGH
22 THE DISCUSSION OUTLINE FOR THE FINANCE SUBCOMMITTEE,
23 WE'LL DISCUSS MATCHING FUNDS BECAUSE IT IS
24 CONTEMPLATED THAT EVEN FOR SMALL COMPANIES, AS THEY
25 GO FURTHER INTO IT AND REACH HIGHER AND HIGHER

BARRISTERS' REPORTING SERVICE

1 MILESTONES, THAT THEY WILL BE ABLE TO ATTRACT
2 CERTAIN MATCHING FUNDS. THAT'S AN ASPIRATIONAL GOAL
3 OF THE PROGRAM.

4 STEVE AND/OR PETE.

5 MR. SCOTT: YEAH. THAT'S EXACTLY RIGHT.
6 TO ANSWER YOUR FIRST QUESTION ABOUT OTHER
7 INDEBTEDNESS, WHAT WE'RE ENVISIONING HERE IS IT
8 WOULD REALLY BE CIRM THAT WOULD BE DRIVING THE
9 STRUCTURE THERE. IN OTHER WORDS, IF THE DEAL IS
10 SUCH WHERE THIS LOAN IS MAKING A CERTAIN PROJECT AND
11 THE COMPANY NEEDS TO BE ABLE TO RAISE CAPITAL,
12 WHETHER THAT BE DEBT OR EQUITY ON A GO-FORWARD
13 BASIS, WE WOULD CERTAINLY BUILD THAT INTO THE
14 AGREEMENT THAT OTHER INDEBTEDNESS WOULD BE ALLOWED
15 UNDER CERTAIN CIRCUMSTANCES. SO THAT'S WHAT WE'RE
16 ENVISIONING HERE ON THE DEBT SIDE.

17 AND IN TERMS OF THE MILESTONES, AGAIN,
18 REALLY IT'S CIRM THAT'S DRIVING THE MILESTONES AND
19 WHAT THOSE ARE. AND TYPICALLY, THE WAY I'M
20 ENVISIONING THIS IS THAT WE WOULD BE ADVANCING MONEY
21 BASED ON THE MEETING OF MILESTONES. SO REALLY
22 THAT'S A QUESTION OF THE STRUCTURE OF THE LOAN IS IS
23 THE MILESTONE STRUCTURE FLEXIBLE ENOUGH SO COMPANIES
24 CAN REALISTICALLY HIT IT AND GET THE ADDITIONAL
25 DOLLARS. SO THAT'S WHAT WE'RE ENVISIONING WITH THE

BARRISTERS' REPORTING SERVICE

1 STRUCTURE OF THE LOAN.

2 CHAIRMAN GOLDBERG: THANK YOU. AT THIS
3 POINT, WE'LL LET YOU GUYS DROP OFF AND EXPRESS OUR
4 APPRECIATION AGAIN FOR YOUR EFFORTS TO EDUCATE US ON
5 HOW A PROCESS LIKE THIS MIGHT BE IMPLEMENTED. AND
6 WE LOOK FORWARD TO YOUR PARTICIPATION IN THE MEETING
7 IN SAN DIEGO ON THURSDAY. I DON'T KNOW WHETHER
8 THAT'S THE 25TH OR 26TH.

9 MS. KING: IT'S THURSDAY.

10 CHAIRMAN GOLDBERG: THURSDAY, THIS COMING
11 THURSDAY.

12 MS. KING: RIGHT. JUST SO JOHN AND PETE
13 KNOW BEFORE THEY HAVE TO GO, WE COULD ARRANGE FOR
14 YOU JOIN THAT MEETING BY PHONE, RECOGNIZING THAT
15 THIS MAY HAVE BEEN THE FIRST YOU HEARD OF THAT
16 REQUEST.

17 MR. SCOTT: YEAH. THAT'S NOT ON MY
18 CALENDAR YET, BUT I'M CERTAINLY OPEN TO
19 PARTICIPATING.

20 MS. KING: THANK YOU.

21 CHAIRMAN GOLDBERG: VERY GOOD. YEAH.
22 THANK YOU, GUYS.

23 OKAY. LET'S SHIFT TO AGENDA ITEM NO. 3,
24 WHICH IS A DISCUSSION FROM THE ISSUES ASSOCIATED
25 WITH THE SIZE OF INDIVIDUAL LOANS, THE SIZE OF THE

BARRISTERS' REPORTING SERVICE

1 LOAN PORTFOLIO, AND THE POTENTIAL FOR DIFFERENT
2 MATCHING FUND SCENARIOS.

3 SO, FIRST, WITH RESPECT TO LOAN SIZE AND
4 PORTFOLIO, WE HAD, IN CONNECTION WITH THE LOAN TASK
5 FORCE, DONE MODELING THROUGH PRICEWATERHOUSECOOPERS
6 THAT SPOKE TO THE OVERALL AGGREGATE KIND OF BEHAVIOR
7 AND COMPOSITION OF A PORTFOLIO. AND IT WAS 500
8 MILLION. AND IT WAS THE VIEW OF THE LOAN TASK FORCE
9 THAT IT WAS PRUDENT TO ACTUALLY PROCEED WITH THE
10 IMPLEMENTATION OF A LOAN PROGRAM. AND IT WAS TO BE
11 DECIDED BY THIS COMMITTEE WHAT THE SPECIFIC LOAN
12 AMOUNTS WOULD BE PER INDIVIDUAL LOAN.

13 OBVIOUSLY WE'RE LEAVING ALL THE SCIENCE TO
14 THE ASSESSMENT OF THE STAFF AND ITS RECOMMENDATION
15 TO THE WORKING GROUP, BUT EVERYTHING WE'RE TALKING
16 ABOUT IS ASSUMING IT'S MERITORIOUS SCIENCE AND THAT
17 THE APPLICANT HAS OPTED FOR A LOAN, WHAT'S THE RANGE
18 OF LOAN SIZES WHICH WE WOULD CONSIDER.

19 AND I'M INTERESTED IN EVERYONE'S VIEWS AS
20 TO THE NOTION THAT GIVEN A LOAN -- A DOLLAR OF LOAN
21 OR A DOLLAR OF GRANT, RECOGNIZING THAT WE HAVE A
22 HUNDRED PERCENT CERTAINTY THAT A GRANT DOLLAR CANNOT
23 ROUND-TRIP ITSELF, AND THERE IS AT LEAST SOME
24 POSSIBILITY IN THE AGGREGATE THAT A LOAN DOLLAR CAN,
25 IN FACT, BE RECYCLED FOR ADDITIONAL RESEARCH. WE

BARRISTERS' REPORTING SERVICE

1 THOUGHT THAT PERHAPS WE SHOULD PROVIDE AN INCENTIVE
2 FOR THOSE APPLICANTS WHICH ARE WORTHY OF A LOAN TO
3 BE ABLE TO DIFFERENTIALLY INCENT THEM TO APPLY FOR
4 LOANS. SO, IN FACT, PROVIDE LOAN AMOUNTS WHICH
5 MIGHT BE IN THE AGGREGATE PER RFP RESPONSE LARGER
6 THAN A GRANT AMOUNT.

7 AND THAT WAS THE RATIONALE FOR HAVING A
8 GRANT AMOUNT THAT EXCEEDED -- I'M SORRY -- A LOAN
9 AMOUNT WHICH IN THE AGGREGATE COULD EXCEED A GRANT
10 AMOUNT. AND I'D LIKE TO STOP, THAT'S POINT NO. 1 IN
11 THE DOCUMENT, AND OPEN THAT UP FOR ANY DISCUSSION.

12 MR. SHEEHY: FIRST OF ALL, I JUST HAD A
13 QUESTION ABOUT THE 500-MILLION NUMBER. I DON'T
14 THINK THAT THERE'S EVER BEEN A REAL DISCUSSION OF
15 THAT.

16 CHAIRMAN GOLDBERG: WE'RE NOT PROPOSING
17 WHAT THAT -- THAT THAT BE THE NUMBER FOR US. THAT
18 WAS WHAT THE MODELING WAS BASED ON.

19 MR. SHEEHY: GREAT. GREAT. I JUST WANT
20 TO BE CLEAR. I HAVE NO OPINION EITHER WAY, BUT WE
21 HAVEN'T REALLY. THAT'S FINE.

22 MR. KLEIN: JEFF, DUANE MIGHT WANT TO
23 COMMENT AS WELL. THIS IS BOB. AS A PORTFOLIO SIZE,
24 THAT MADE SENSE FOR DISTRIBUTION OF RISK AND FOR
25 AVERAGING OUTCOMES, AND IT IS VERY VALUABLE FOR

BARRISTERS' REPORTING SERVICE

1 BANKING INSTITUTIONS AND APPLICANTS TO UNDERSTAND
2 THE LOAN PROGRAM WILL HAVE KIND OF A MINIMUM
3 PLANNING SIZE TO MAKE IT WORTHWHILE TO GEAR UP AND
4 UNDERSTAND IT AND PARTICIPATE. THERE'S A
5 TRANSACTION COST TO MAKING IT HAPPEN AND TO
6 UNDERSTANDING IT WELL ENOUGH TO BE AN APPLICANT AND
7 PARTICIPATE.

8 BUT WHATEVER THE LOAN SIZE IS, JEFF, THE
9 THEORY IS THAT IT WILL ACTUALLY BE IMPLEMENTED BY
10 BOARD APPROVALS OF WHAT THE LOAN SET-ASIDE WOULD BE
11 FOR PLANNING PURPOSES FOR EACH RFA. SO IT'S AN
12 INCREMENTAL DECISION THAT WOULD BE MADE WITH EACH
13 RFA THAT ACTUALLY WOULD IMPLEMENT ANY DECISION. AND
14 THE BOARD CAN CHANGE ITS MIND AS IT GOES FORWARD.

15 MR. ROTH: MICHAEL, I'D LIKE TO COMMENT
16 JUST ON THIS NO. 1. I UNDERSTAND EXACTLY WHAT'S
17 BEING SAID. I WOULD CHANGE THE SECOND LINE, IT SAYS
18 SHOULD BE A DIFFERENCE BETWEEN, TO BE COULD.

19 CHAIRMAN GOLDBERG: YEAH.

20 MR. ROTH: SO THAT WE HAVE THAT
21 FLEXIBILITY. THAT'S REALLY WHAT IT SAYS. AND THEN
22 WE GIVE AN EXAMPLE. THAT'S JUST FOR AN EXAMPLE
23 PURPOSE. I WOULDN'T WANT PEOPLE TO BELIEVE WE HEARD
24 JUST A MINUTE ABOUT 16 MILLION. THAT'S JUST
25 HYPOTHETICAL RIGHT NOW, BUT THAT'S HOW WE MIGHT

BARRISTERS' REPORTING SERVICE

1 ENTICE PEOPLE TO APPLY FOR LOANS VERSUS GRANTS. AND
2 I SUPPORT THAT. I THINK THAT'S WHAT THE PROGRAM
3 SHOULD DO.

4 CHAIRMAN GOLDBERG: OKAY. GOOD
5 SUGGESTIONS. PLEASE NOTE THAT, MELISSA.

6 MS. KING: MICHAEL, I DID NOTE THAT.
7 THANK YOU. I HAVE DR. MARIE CSETE HERE WHO WOULD
8 LIKE TO COMMENT, IF POSSIBLE.

9 CHAIRMAN GOLDBERG: SURE.

10 DR. CSETE: I JUST WANT YOU TO HELP ME
11 WITH THE COMPLAINTS THAT I'M GOING TO GET FROM OUR
12 APPLICANTS THAT THIS IS A TWO-TIERED SYSTEM.

13 MR. KLEIN: WELL, ONE'S A GRANT AND ONE'S
14 A LOAN. AND THE GRANTS THEY DON'T HAVE TO PAY BACK.
15 SO THERE'S SUBSTANTIAL REASON WHY SOMEONE WHO IS
16 WILLING TO OBLIGATE THEMSELVES TO PAY IT BACK WITH
17 STOCK WARRANTS SHOULD GET A HIGHER LOAN. AND THE
18 GRANT SIZE DOES NOT NECESSARILY, WHETHER IT'S 16 OR
19 20 MILLION, GET SOMEONE TO AN IND APPROVAL. SO,
20 FRANKLY, I THINK EVEN ON THE GRANT SIDE, THEY'RE
21 GOING TO HAVE TO COME UP WITH MATCHING FUNDS BECAUSE
22 WE'RE NOT GOING TO GIVE PEOPLE \$40 MILLION FOR AN
23 IND.

24 SO THE FACT IS THAT IF PEOPLE NEED TO
25 ECONOMIZE AND GET MORE MATCHING FUNDS FOR A GRANT

BARRISTERS' REPORTING SERVICE

1 THAT'S FORGIVEN, THAT'S PRETTY COMPELLING RATIONALE
2 TO ME. THIS IS OBVIOUSLY BOB.

3 CHAIRMAN GOLDBERG: ANY COMMENTS FROM YOUR
4 SITE, RICARDO?

5 DR. AZZIZ: FROM THE PUBLIC OR FROM
6 MYSELF?

7 CHAIRMAN GOLDBERG: FROM YOU FIRST.

8 DR. AZZIZ: I ACTUALLY WAS MORE INTERESTED
9 IN THE POTENTIAL MATCHING FUND SCENARIO. I DON'T
10 KNOW IF WE'RE GOING POINT BY POINT, OR WE'RE JUST
11 DISCUSSING THE ENTIRE DOCUMENT.

12 CHAIRMAN GOLDBERG: POINT BY POINT, I
13 THINK, WOULD BE THE MOST EFFICIENT.

14 DR. AZZIZ: SO I DON'T HAVE ANY MAJOR
15 COMMENTS BEYOND THOSE ALREADY SAID FOR POINT NO. 1.

16 CHAIRMAN GOLDBERG: ANYTHING FROM THE
17 PUBLIC ON POINT NO. 1?

18 MR. SIMPSON: MAKES SENSE.

19 CHAIRMAN GOLDBERG: IT MAKES SENSE TO JOHN
20 SIMPSON?

21 MR. SIMPSON: YEAH. IT'S NOT REALLY A
22 TWO-TIER. OBVIOUSLY IF YOU'RE GIVING THE MONEY
23 BACK, IT MAKES SENSE TO INCENT PEOPLE THIS WAY.

24 CHAIRMAN GOLDBERG: OKAY. THANK YOU.

25 AS TO THE SECOND POINT, WHICH ECHOES THE

BARRISTERS' REPORTING SERVICE

1 FIRST, I'M NOT SURE THAT I WOULD PROPOSE THAT
2 THERE'S ANYTHING TO DISCUSS THERE. I'LL OPEN IT UP
3 TO ANYONE ELSE.

4 MR. KLEIN: THE LOGIC THERE IS THAT IF
5 WE'RE GOING GET MONEY BACK AND ON A PORTFOLIO BASIS
6 HAVE A REASONABLE PROBABILITY, AS PWC PROJECTED,
7 EVEN WITH A 40- OR 50-PERCENT NONPERFORMANCE RATE,
8 WE CAN HAVE A REASONABLE PROBABILITY OF NOT JUST
9 RENEWING OUR CAPITAL, BUT ACTUALLY INCREASING IT BY
10 ABOUT 20 PERCENT. SO CAPITAL RECOVERY PLUS 20
11 PERCENT OVER THE LOAN CYCLE. SO THAT ALLOWS US TO
12 PUT MORE MONEY OUT THROUGH LOANS BECAUSE, GIVEN THAT
13 WE HAVE A REASONABLE PROBABILITY OF RECOVERING IT,
14 WE HAVE ABILITY DOWNSTREAM TO REORIGINATE THIS
15 MONEY. AND THAT EFFECTIVELY, BECAUSE OF THAT BASIC
16 RATIONALE, WE HAVE MORE MONEY THAT WOULD BE
17 AVAILABLE ON A PROGRAMMATIC -- ON A PORTFOLIO BASIS
18 FOR LOANS THAN GRANTS.

19 MR. ROTH: MICHAEL, ANOTHER SUGGESTION.
20 SOMEBODY SHOULD TAKE PARAGRAPH 1 AND 2 AND COMBINE
21 THEM. THE THOUGHTS ARE CONSISTENT. THE SAME
22 THOUGHT IS REPEATED IN TWO.

23 CHAIRMAN GOLDBERG: YEAH.

24 MR. ROTH: NOW WE'RE THROWING NUMBERS OUT.
25 LET'S GET THAT ALL CLEANED UP, AND I THINK THEN IT

BARRISTERS' REPORTING SERVICE

1 WILL MAKE SENSE TO PEOPLE. AND USE THE DISEASE
2 TEAMS AS AN EXAMPLE ONLY, AND MAKE SURE THAT WE
3 DON'T, AS MARIE WAS WORRIED ABOUT, SET OFF A
4 DISCUSSION BEFORE WE'RE READY TO HAVE IT, BUT IT'S A
5 GOOD ONE TO USE AS A POTENTIAL EXAMPLE OF SOMETHING.

6 CHAIRMAN GOLDBERG: THAT'S A HELPFUL
7 COMMENT.

8 DR. TROUNSON: I DON'T KNOW IF THIS IS THE
9 RIGHT TIME. I ACTUALLY DON'T HAVE THE DOCUMENT
10 BECAUSE I'M NOT IN A PLACE WHERE THE DOCUMENT IS.
11 BUT I'M JUST -- I WANT TO UNDERSTAND STRUCTURALLY
12 HOW IT'S GOING TO WORK BECAUSE, AND IT MAY NOT BE
13 THE RIGHT TIME, BUT LET ME JUST TRY IT FOR YOU TO
14 SEE. THESE ARE TEAMS AND WE'RE BUILDING TEAMS, SO
15 THE TEAMS WOULD INCLUDE UNIVERSITIES OR
16 NOT-FOR-PROFIT AND FOR-PROFIT ENTITIES IN THE ONE
17 GRANT.

18 NOW, AS I UNDERSTAND, I THINK, THE LOAN IS
19 GOING TO BE FOR THE TOTAL AMOUNT FOR EVERYBODY.
20 THAT IS, THE LOAN HAS BEEN THEN TAKEN OUT FOR THE
21 WHOLE TEAM EVEN THOUGH THE UNIVERSITY IS PART OF IT
22 AND IS REQUIRED TO BE, YOU KNOW, TO RECEIVE PAYMENT
23 FROM WHATEVER THEY'RE DOING.

24 AND HOW DOES THE -- YOU KNOW, WHAT SORT OF
25 CONTRACT NEEDS TO BE PUT IN PLACE TO ENABLE THE

BARRISTERS' REPORTING SERVICE

1 COMPANY TO ENSURE THAT THE UNIVERSITIES, FOR
2 EXAMPLE, MEET THEIR REQUIREMENTS UNDER THIS KIND OF
3 ARRANGEMENT?

4 MS. KING: GO AHEAD, BOB.

5 MR. KLEIN: THE ANSWER TO THAT, ALAN, IS
6 THAT BASICALLY IF, IN FACT, THIS IS A SUCCESSFUL
7 PRODUCT, THE COMPANY IS GOING TO MERCHANDISE THE
8 PRODUCT, AND THE ENTIRE LOAN BECOMES THE OBLIGATION
9 OF THE VENTURE. THE COMPANY, OBVIOUSLY, IF THEY'RE
10 PAYING FOR THE RESEARCH AT THE UNIVERSITY, IS GOING
11 TO WANT A DIFFERENT ROYALTY RATE THAN IF THE
12 UNIVERSITY WERE PAYING FOR THAT WORK. BUT
13 EFFECTIVELY IF IT IS NOT SUCCESSFUL, WE DON'T GET
14 REPAID. BUT IF IT IS SUCCESSFUL, WE DO GET REPAID.

15 NOW, IF IT'S A RECOURSE LOAN, THE COMPANY
16 IS GOING TO CUT A DIFFERENT DEAL WITH ITS UNIVERSITY
17 PARTNERS THAN IF IT'S NONRECOURSE. BUT THIS IS
18 EFFECTIVELY THE SAME SITUATION AS IF J & J OR PHIZER
19 OR SOMEONE WERE GOING TO A UNIVERSITY FUNDING PART
20 OF THEIR WORK, THAT WHOLE COST WOULD BE PART OF THE
21 COST OF THE VENTURE IN GOING FORWARD. AND BECAUSE
22 THIS IS A -- BECAUSE THE COST UP TO AN IND, FOR
23 EXAMPLE, IS A SMALL PART OF THE TOTAL COST, IT'S NOT
24 MAKING A BIG DIFFERENCE IN GETTING ALL THE WAY TO
25 THE CLINIC IN MOST CASES. THERE WILL BE EXCEPTIONS.

BARRISTERS' REPORTING SERVICE

1 DR. TROUNSON: IN THE LOAN CASE, YOU
2 DON'T -- THE LOAN GETS PAID BACK BEFORE IT BECOMES A
3 COMMERCIAL PRODUCT, AS I UNDERSTAND IT. IT'S AT THE
4 COMPLETION OF THE LOAN PERIOD; IS THAT NOT RIGHT?

5 MR. KLEIN: WELL, IF THE LOAN -- IF THE
6 PRODUCT FAILS TO GO FORWARD, THEN THE LOAN IS NOT
7 GOING TO GET PAID BACK. IF IT SERVICE INTO A PHASE
8 II TRIAL AND THERE'S A MAIN LIQUIDITY EVENT, MAJOR
9 LIQUIDITY EVENT TO RAISE THE MONEY FOR THE PHASE II
10 TRIAL, THE LOAN WILL GET PAD BACK, JUST AS IF THEY
11 HAD GOTTEN THIS LOAN FROM A BANK, IT WOULD HAVE BEEN
12 PAID BACK. BUT BASICALLY THIS IS EFFECTIVELY
13 PUTTING MONEY INTO THE STEM CELL AREA THAT DOESN'T
14 EXIST THAT IN OTHER PRODUCT AREAS THE COMPANIES
15 WOULD BE FUNDING.

16 DR. TROUNSON: FOR EXAMPLE, IF THEY'RE
17 EITHER INTERSTATE OR INTERNATIONAL PARTNERS IN THIS,
18 THEN THE COMPANY IS GOING TO HAVE DONE ALL OF THOSE
19 NEGOTIATIONS BY THE TIME THEY TURN UP WITH THEIR
20 GRANT APPLICATION, NO?

21 MR. KLEIN: YEAH. THE COMPANY WILL -- WE
22 CERTAINLY WOULD HOPE SO BECAUSE EVEN IF THERE
23 WEREN'T A LOAN, THEY HAVE TO HAVE ALL THESE
24 NEGOTIATIONS DONE ON ROYALTIES AND WHAT THEIR
25 AGREEMENT IS BETWEEN THE COMPANY AND THE

BARRISTERS' REPORTING SERVICE

1 UNIVERSITIES. WE WOULDN'T WANT SOMETHING TO GO
2 DOWNSTREAM AND HAVE LITIGATION AFTER A DISCOVERY IS
3 MADE.

4 DR. TROUNSON: SO WE'RE GOING TO HAVE TO
5 BE VERY CLEAR ABOUT THIS WHEN WE ASK FOR THE RFA
6 BECAUSE THAT GENERALLY CAN TAKE QUITE A PERIOD IF
7 YOU'VE GOT MULTIPLE PARTNERS IN SUCH ARRANGEMENTS.

8 MS. KOCH: I COMPLETELY AGREE WITH THAT.
9 AND IN OTHER CONTEXTS, WE'VE BEEN TALKING ABOUT
10 HAVING POTENTIAL APPLICANTS FINISH THOSE
11 NEGOTIATIONS AMONG THEMSELVES PRIOR TO SIGNING AN
12 NGA, BUT NOT NECESSARILY BEFORE THEY SUBMIT THEIR
13 APPLICATIONS IN RESPONSE TO THE RFP.

14 MR. KLEIN: IF, IN FACT, NANCY, ALAN, IF
15 THE TECHNICAL LEGAL RECOMMENDATION IS THAT THEY CAN
16 GET THOSE NEGOTIATED BEFORE THE NGA IS SIGNED AND
17 THAT'S APPROPRIATE, YOU KNOW, THAT'S SOMETHING THAT
18 ON A POLICY BASIS THAT WE NEED THAT INFORMATION TO
19 BE RECEIVED DURING THIS PERIOD UP TO DECEMBER. BUT
20 IT WOULD SEEM THAT IT'S MUCH EASIER GENERALLY TO
21 NEGOTIATE A RELATIONSHIP BEFORE THERE'S MONEY ON THE
22 TABLE.

23 DR. TROUNSON: I THINK IT WOULD ALSO BE
24 EASIER TO NEGOTIATE, AS I WOULD UNDERSTAND, IF IT
25 WAS A GRANT, BOB. SO DO YOU ENVISAGE AS A FALLBACK

BARRISTERS' REPORTING SERVICE

1 IF THEY CAN'T GET THOSE CONTRACTS DONE AS A FALLBACK
2 TO A GRANT?

3 MR. KLEIN: NO, I DON'T. PEOPLE HAVE TO
4 BE PROFESSIONAL ABOUT THIS, AND WE NEED, AS STEWARDS
5 OF THIS MONEY, TO GET PEOPLE TO BE RESPONSIBLE UP
6 FRONT AND GET THEIR BUSINESS RELATIONSHIPS WORKED
7 OUT. AND, YOU KNOW, IF YOU WANT TO -- IF YOU WANT
8 TO SPECIFY THAT THEY NEED IT BEFORE -- WHEN THEY
9 SUBMIT THE APPLICATION TO SAY THAT THEY JUST NOTIFY
10 US THAT THEY HAVE IT, OR IF YOU WANT TO DEFER IT TO
11 THE NGA, BUT MY PERSONAL VIEWPOINT IS I WOULD NOT
12 SUPPORT SOMEONE GOES THROUGH AND GETS A LOAN, AND
13 THE REWARD FOR HAVING TO FIGHT WITH THEIR PARTNER IS
14 THEY GET A GRANT. THAT'S NOT SOMETHING THAT
15 RECONCILES WITH OUR DUTY, IT SEEMS TO ME.

16 DR. TROUNSON: I THINK WE JUST HAVE TO BE
17 VERY CLEAR ABOUT ALL OF THESE MATTERS BECAUSE IT
18 WILL BE -- IT JUST IS VERY DIFFERENT. SO THE
19 CLARITY IS GOING TO BE -- AND I SUSPECT THAT THERE'S
20 GOING TO BE QUITE A BIT OF WORK FOR US ALWAYS TO
21 ENSURE THAT WE'VE GOT THE DEGREE OF CLARITY THAT IS
22 ESSENTIAL.

23 CHAIRMAN GOLDBERG: POINT WELL TAKEN.
24 MINDFUL OF THE LIMITED TIME WE HAVE REMAINING, LET
25 ME JUST SIMPLY IDENTIFY THE ISSUE IN NO. 3, WHICH IS

BARRISTERS' REPORTING SERVICE

1 WHAT THE PROPOSED SIZE, RANGE OF A LOAN PROGRAM
2 MIGHT BE. NOW, AGAIN, PURPOSE OF THIS DOCUMENT IS
3 TO STIMULATE DISCUSSION AND TO KICK OFF A MULTIMONTH
4 COMMENT PROCESS THAT WOULD BE ITERATIVE.

5 DR. CSETE: COULD WE JUST GO BACK TO TWO
6 FOR A SECOND? I HAVE A CONCERN THAT THE WORD
7 "DOUBLING" IN THAT PARAGRAPH, THAT RATIO OF GRANT TO
8 LOANS, EVEN THOUGH IT SAYS THE COMMITTEE MIGHT
9 RECOMMEND THIS, ALL WE'RE GOING TO GET WHEN WE GO
10 OUT, IF WE HAVE SOMETHING THAT CONCRETE AS A RATIO
11 IN THIS DOCUMENT, IS QUESTIONS ABOUT WHAT THAT RATIO
12 IS GOING TO BE. IS THERE JUST A WAY THAT WE
13 COULD --

14 CHAIRMAN GOLDBERG: I'M SORRY. YOU'RE ON
15 THE SECOND PAGE NOW?

16 DR. CSETE: JUST WHAT YOU WERE TALKING
17 ABOUT, NO. 2.

18 CHAIRMAN GOLDBERG: I WAS JUST TALKING
19 ABOUT THREE.

20 DR. CSETE: RIGHT. WE WERE JUST TALKING
21 ABOUT TWO BEFORE WE GOT TO THREE.

22 CHAIRMAN GOLDBERG: I'M SORRY. WHERE ARE
23 YOU?

24 DR. CSETE: SO YOU HAVE IN HERE THAT THE
25 FINANCE COMMITTEE MIGHT RECOMMEND THAT THERE BE SET

BARRISTERS' REPORTING SERVICE

1 ASIDE 70 VERSUS A 140 MILLION FOR LOANS. IS THERE
2 ANY WAY THAT WE COULD NOT HAVE A RATIO IN THERE EVEN
3 THOUGH YOU SAY MIGHT BECAUSE MY EXPERIENCE IS THAT
4 WE'LL GO OUT TO BE TALKING ABOUT THIS, AND IT'S MUCH
5 BETTER FOR US TO SAY, TO LEAVE FLEXIBILITY IN THERE
6 FOR THE FINANCE COMMITTEE AND THE ICOC TO DECIDE ON
7 THESE NUMBERS, RATHER THAN HAVING THEM IN THE
8 DOCUMENT AT THIS POINT BECAUSE WE WILL JUST --
9 PEOPLE WILL BE FIXATED ON IT.

10 CHAIRMAN GOLDBERG: I THINK I UNDERSTAND
11 THAT ISSUE.

12 MR. ROTH: WHAT I WAS SUGGESTING IS
13 PARAGRAPHS 1 AND 2 SHOULD BE COMBINED, AND I
14 SUGGESTED TO TAKE THE NUMBERS OUT.

15 DR. CSETE: THANK YOU.

16 MR. KLEIN: WAIT A MINUTE. TAKE THE
17 NUMBERS OUT?

18 MR. ROTH: TAKE THE 140 AND THE 70.

19 DR. CSETE: I AGREE.

20 MR. KLEIN: I WOULD BE OPPOSED TO THAT,
21 AND I WOULD INTRODUCE IT AT THE BOARD EVEN IF WE
22 TAKE IT OUT BECAUSE WE NEED TO START TO GET SOME
23 CLARITY HERE. WE DON'T HAVE THAT MUCH TIME, AND
24 IT'S VERY IMPORTANT FOR PEOPLE TO KNOW UP FRONT WITH
25 PLENTY OF TIME THAT, BECAUSE THE LOAN PROGRAM GIVES

BARRISTERS' REPORTING SERVICE

1 US THE OPPORTUNITY TO RECYCLE FUNDS, THAT THERE WILL
2 BE HIGH PROBABILITY OF A HIGHER ALLOCATION TO THE
3 LOAN PROGRAM. I MEAN HIDING IT --

4 MR. ROTH: OKAY, BOB. SO IN YOUR MIND
5 THESE ARE NOT HYPOTHETICALS?

6 MR. KLEIN: IN MY MIND THEY'RE NOT
7 HYPOTHETICALS AT ALL. SO WE NEED TO HAVE DISCUSSION
8 OF THE NUMBERS BECAUSE WE NEED TO COMMUNICATE --
9 NOW, THESE ARE UP TO IN EACH CATEGORY. IF THE
10 SCIENCE ISN'T THERE, WE'RE NOT GOING TO DO ANYTHING.
11 THESE ARE UP-TO NUMBERS. BUT THE RATIO IS VERY
12 IMPORTANT SO PEOPLE CAN START THINKING STRATEGICALLY
13 NOW. IF THEY'RE GOING TO HAVE TO GO IN AND APPLY IN
14 JANUARY, THEY NEED TO GET SOME VISIBILITY
15 IMMEDIATELY ON WHAT THIS MIGHT BE.

16 DR. CSETE: LET'S JUST TAKE IT TO BE 200
17 MILLION INSTEAD OF 210 MILLION HERE. LET'S JUST SAY
18 HYPOTHETICALLY THAT ALL OF THE TOP SCORING GRANTS
19 ARE GRANTS. DOES THAT MEAN THAT ONLY 70 MILLION IS
20 GOING TO BE MADE AVAILABLE INSTEAD OF 200 MILLION
21 FOR GRANTS, OR IF ALL OF THE TOP SCORING ONES ARE
22 LOANS, THAT ONLY 140 MILLION WILL BE AVAILABLE FOR
23 LOANS?

24 MR. KLEIN: TWO THINGS. ONE IS THIS IS A
25 BOARD DECISION, AND THE BOARD WOULD HAVE TO DECIDE

BARRISTERS' REPORTING SERVICE

1 IF THEY WANT A HIGHER OR LOWER TOTAL DOLLAR
2 ALLOCATION. AND SECONDLY, WHAT I WOULD SAY, TO
3 ANSWER YOUR QUESTION, IS THAT WE WANT TO INCENTIVIZE
4 PEOPLE TO DO LOANS. AND SO IF THERE'S \$70 MILLION
5 ON THE TABLE FOR LOANS, AND WE WANT TO BE ABLE TO
6 HAVE PEOPLE, IN GAMING THIS WHOLE SYSTEM, TO THINK I
7 BETTER APPLY FOR -- EXCUSE ME -- IF THERE'S 135
8 MILLION FOR LOANS, WE WANT THEM THINK I BETTER APPLY
9 FOR A LOAN BECAUSE I'LL HAVE A BETTER OPPORTUNITY.

10 NOW, IF THERE'S MORE HIGH SCORING GRANTS,
11 PEOPLE WHO APPLY FOR GRANTS, I WOULD HAVEN'T A
12 PROBLEM IF THEY'RE AT THE BOTTOM OF THAT BECAUSE THE
13 TOP SCORES WILL GET THE GRANTS; BUT IF THEY'RE AT
14 THE BOTTOM OF THE GRANT CATEGORY, TO SAY POTENTIALLY
15 SAY, NO, THAT DOESN'T WORK. THAT ACTUALLY SCREWS UP
16 THE SYSTEM. I ACTUALLY, TO RESPOND TO YOU, WOULD
17 SAY PEOPLE NEED TO LIVE WITHIN THE CATEGORIES. AND
18 IT WILL TAKE SOME TIME FOR THE SYSTEM WORK ITSELF
19 OUT, BUT THERE HAS TO BE AN INCENTIVE FOR PEOPLE TO
20 APPLY FOR THE LOAN PROGRAM BECAUSE, AS STEWARDS OF
21 THE STATE'S MONEY AND THE PEOPLE'S MONEY, WE'VE GOT
22 TO REACH AS MANY DISEASE FUNDING TEAMS AS WE CAN.

23 MR. SHEEHY: COULD I AT LEAST CONCUR WITH
24 BOB ON THE NOTION OF BEING VERY CONCRETE? BECAUSE
25 WE'VE BEING TALKING HYPOTHETICAL, HYPOTHETICAL, BUT

BARRISTERS' REPORTING SERVICE

1 I REALLY DO HAVE A STRONG SENSE THAT WE'RE TRYING TO
2 IMPLEMENT THIS PROGRAM FOR THE DISEASE TEAM GRANT
3 CYCLE. SO WHEN WE'RE AT THE BOARD, YOU KNOW, LET'S
4 TALK ABOUT REAL NUMBERS AND NOT HYPOTHETICAL
5 NUMBERS, REAL RATIOS AND BE REAL UP FRONT WITH WHAT
6 WE'RE GOING TO DO.

7 DR. CSETE: OKAY. AND THAT'S FINE, BUT
8 THE APPLICANTS ARE THEN GOING TO WANT TO KNOW IF
9 THEY'RE GOING TO GET WIGGLED AROUND AT THE END FOR
10 PROGRAMMATIC REASONS THAT ARE REALLY FINANCIAL
11 REASONS. SO --

12 MR. ROTH: MICHAEL, CAN I MAKE A
13 SUGGESTION HERE?

14 CHAIRMAN GOLDBERG: PLEASE GO AHEAD.

15 MR. ROTH: SO I THOUGHT WE WERE DEALING
16 WITH THE OVERALL SIZE OF THE LOAN PORTFOLIO. AND I
17 THINK WE'RE MIXING SORT OF APPLES AND ORANGES. I AM
18 FINE GOING OUT IF WE'RE TALKING ABOUT THE DISEASE
19 TEAM RFA. IF THAT'S THE SUBJECT OF THE CONVERSATION
20 TODAY, THEN WE SHOULD JUST CALL IT THAT AND TITLE
21 THIS DOCUMENT THAT AS OPPOSED TO WHAT I THOUGHT.
22 HOW MUCH MONEY OUT OF THE TWO BILLION WE HAVE LEFT
23 TO GIVE OUT DO WE WANT TO DEDICATE TO THE LOAN
24 PROGRAM? WHAT ARE THE POLICIES? THE POLICY IS
25 DONE, BUT WHAT ARE THE SIZE AND SCOPE OF WHAT THOSE

BARRISTERS' REPORTING SERVICE

1 LOANS MIGHT LOOK LIKE.

2 SO THERE'S TWO DIFFERENT CONCEPTS THERE,
3 AND THAT WOULD REALLY SIMPLIFY IF WE COULD AGREE ON
4 WHAT WE WANT TO DO ON THURSDAY.

5 CHAIRMAN GOLDBERG: ON THE ONE HAND,
6 DUANE, WE NEED TO ESTABLISH THERE'S AT LEAST A LOAN
7 PROGRAM OF 150 TO \$200 MILLION THAT WE'RE PREPARED
8 TO GO AHEAD AND ENABLE.

9 MR. ROTH: YES.

10 CHAIRMAN GOLDBERG: AND WHETHER ULTIMATELY
11 THAT PROGRAM IS 300 MILLION, 400 MILLION, 500
12 MILLION, OR 600 MILLION, I THINK, AT THIS POINT IS
13 HARD TO HANDICAP. SO I GUESS MY RECOMMENDATION
14 WOULD BE THAT WE HAVE AN OPEN DISCUSSION ABOUT THAT
15 ON THURSDAY IN CONNECTION WITH THIS DOCUMENT, AND
16 THAT WE MOVE FROM THERE.

17 I'M ALSO GOING TO ASK THE STAFF IF THEY'LL
18 CREATE A CALENDAR AND PROCESS TO MOVE FROM THURSDAY
19 TO THE DECEMBER ICOC MEETING SO THAT WE CAN PROPERLY
20 COMMUNICATE TO PEOPLE ON THURSDAY THE OPPORTUNITIES
21 THEY'LL HAVE TO PROVIDE INPUT AND COMMENT TO THESE
22 PARTICULAR ISSUES.

23 MR. KLEIN: WE'LL PROBABLY NEED TO PROVIDE
24 A TIME RANGE FOR THE FINANCE MEETING BECAUSE UNTIL
25 THERE'S AN ABILITY FOR STAFF TO POLL THE MEMBERS FOR

BARRISTERS' REPORTING SERVICE

1 A QUORUM, WE WON'T KNOW THE ACTUAL DATES, BUT YOU
2 COULD -- WE COULD SAY THAT IN THE -- WE COULD SAY,
3 YOU KNOW, IN THE SECOND OR THIRD WEEK OF NOVEMBER,
4 THERE WILL BE A FINANCE COMMITTEE MEETING, THE DATES
5 TO BE DETERMINED.

6 DR. TROUNSON: MICHAEL, I THINK WHAT YOU
7 ARE ASKING FOR IS AN INCENTIVE FOR PEOPLE TO DO
8 LOANS. THAT INCENTIVE SHOULD BE THERE, AND ONE PART
9 OF IT, I THINK, IS MADE UP WITH THE POSSIBILITY OF
10 GETTING A LARGER GRANT. THE OTHER PART OF IT WHICH
11 I HOPE IS THERE MIGHT HAVE BEEN WAYS OF ENSURING
12 THAT WE COULD MAYBE MEET SOME OF THE OR WORK OUR WAY
13 THROUGH SOME OF THE PRINCIPAL CONCERNS THEY MAY HAVE
14 ABOUT GRANTS TO ENABLE TO BE AWARDED AS A LOAN. BUT
15 I THINK WE HAVE TO ACTUALLY INCENTIVIZE THE
16 COMPANIES TO TAKE LOANS IF WE CAN.

17 SO WHILE IT SHOULDN'T BE AT THE DETRIMENT
18 OF ANYONE ELSE ACCESSING THE MONEY TO TAKE OUR
19 MISSION FORWARD, IT SHOULD BE AS MUCH TO INCENTIVIZE
20 THE OUTCOMES. SO I'M IN FAVOR OF AN APPROPRIATE
21 INCENTIVIZATION AND AS MUCH FLEXIBILITY WITHIN THAT
22 AS IS REASONABLE.

23 CHAIRMAN GOLDBERG: YEAH. I DON'T THINK
24 ANYBODY WOULD BE SHOCKED IF WE HAD A SITUATION WHERE
25 WE HAD A MORE MERITORIOUS OUTCOME WITH GRANTS THAN

BARRISTERS' REPORTING SERVICE

1 WITH LOANS; AND, THEREFORE, AS AN ICOC, THERE'S A
2 DETERMINATION TO MAKE MORE MONEY AVAILABLE TO GRANTS
3 VERSUS LOANS ONCE WE'VE GOT THE DATA OF THE
4 APPLICATIONS. BUT I THINK THE SURPRISE, AND I THINK
5 SOME OF THE THINGS THAT WE'RE DISCUSSING IN THIS
6 CALL, ARE THAT IT WOULD BE AND IT'S IMPORTANT TO GET
7 THE CONVERSATION AND DIALOGUE GOING THAT TO DO LOANS
8 OF SIGNIFICANCE AND TO DO SOME OF THESE DISEASE
9 TEAMS OF SIGNIFICANCE, PERHAPS EVEN MORE IMPORTANTLY
10 LATER ON FOR CLINICAL TRIALS, IS IT'S A LARGE TICKET
11 ITEM. AND WE SHOULD SIGN UP TO THAT. WHETHER OR
12 NOT ALL THE OTHER CRITERIA THAT SCIENTISTS ESTABLISH
13 FOR SCORING ARE MET IS WHOLE ANOTHER ISSUE, BUT
14 MECHANISTICALLY I THINK WE WANT TO TELEGRAM THAT
15 WE'RE PREPARED TO GO VERY AGGRESSIVELY HERE.

16 DR. AZZIZ: JUST TO STATE THAT I DO AGREE
17 THAT WE NEED TO START WORKING WITH NUMBERS.
18 OTHERWISE WE'RE NOT GOING TO HAVE A SENSE. I DO
19 UNDERSTAND MARIE'S CONCERN THAT THIS MAY SET A
20 PRECEDENT, BUT, IN FACT, THAT'S SORT OF WHAT WE'RE
21 DOING.

22 I DID HAVE ONE QUESTION, AND I MAY HAVE
23 LOST IT SOMEWHERE IN HERE. I MISSED IT. BUT ARE WE
24 INTENDING THAT INDIVIDUALS APPLY FOR THE LOANS IN
25 ADVANCE OF THE SCIENTIFIC REVIEW, IN OTHER WORDS,

BARRISTERS' REPORTING SERVICE

1 FOR A SPECIFIC LOAN PROGRAM, OR WILL THE LOAN
2 PROGRAM BE OFFERED IF INDIVIDUALS DO NOT ACTUALLY
3 GET GRANTED?

4 MR. KLEIN: THE INTENTION IS THEY HAVE TO
5 CHOOSE WHEN THEY SUBMIT THEIR APPLICATION TO BE
6 GRANT OR A LOAN. AT THE END OF THE PROCESS, THERE
7 IS NO DIFFERENCE IN THEIR APPLICATION UNTIL THEY GET
8 OUT OF SCIENTIFIC REVIEW. AND IT'S THOSE THAT ARE
9 RECOMMENDED FOR FUNDING OR FUNDING IF AVAILABLE THAT
10 WOULD THEN GO THROUGH THE FINANCIAL REVIEW. AND
11 THEY WOULD DO THAT IN THE NORMAL TIME PERIOD TO GET
12 TO THE BOARD SO AS NOT TO ADD ANY TIME TO THE
13 PROCESS.

14 CHAIRMAN GOLDBERG: JUST TO BE CLEAR,
15 WOULD IT BE BLINDED TO ALL OF US ALONG THE WAY AS TO
16 WHICH BOX WAS CHECKED, GRANT OR LOAN, UNTIL THE END?

17 MR. KLEIN: WELL, NO. WHEN YOU ARE GOING
18 THROUGH PEER REVIEW AND WE HAVE TWO DIFFERENT POOLS,
19 THEY'RE GOING TO NEED TO DO RECOMMENDED --

20 CHAIRMAN GOLDBERG: THAT RANKS WITHIN THE
21 POOL.

22 MR. KLEIN: -- WITHIN THE CATEGORY. YEAH.

23 MR. SHEEHY: I THINK YOU'D SET IT FOR
24 PROGRAMMATIC, BOB.

25 MR. KLEIN: DURING THE PROGRAMMATIC

BARRISTERS' REPORTING SERVICE

1 PURPOSE. IT'S HARD FOR ME TO UNDERSTAND -- WELL,
2 THERE ARE A FEW CASES WHERE I CAN SEE A MAJOR CASE
3 BEING MADE FOR A COMPANY FOR A GRANT, LIKE WITH AN
4 ORPHAN DISEASE OR SOMETHING WHERE IT'S NOT OTHERWISE
5 FEASIBLE; BUT IN ORDER TO GET THROUGH AND
6 COMMERCIALIZE THESE PRODUCTS, EVERYBODY IS GOING TO
7 NEED A COMPANY IN THEIR TEAM. AND IF THE PRODUCTS
8 ARE SUCCESSFUL AND IT'S NOT AN ORPHAN DISEASE, YOU
9 KNOW, YOU ARE GOING TO HAVE TO HAVE A PRETTY
10 COMPELLING CASE AND A VERY HIGH SCORE TO BE ABLE TO
11 GET A GRANT. I MEAN RATIONALLY FROM A STEWARDSHIP
12 BASIS, WHY WOULD WE BE GIVING MONEY OUT THAT WE
13 CAN'T RECOVER IF THE CONDITIONS ARE FOR THE LOAN
14 THAT IT'S PAID BACK, IN FACT, IF THE PRODUCT IS
15 SUCCESSFUL?

16 IF THE PRODUCT IS SUCCESSFUL, TO PROTECT
17 AND STEWARD OUR MISSION, SHOULDN'T WE WANT AS MUCH
18 PAID BACK AS POSSIBLE?

19 MR. ROTH: I THINK THE SELF-SELECTION
20 PROCESS WILL BE FINE HERE. IF THE LEAD IS AN
21 INSTITUTION AND THE PI IS THERE AND THEY'RE
22 PARTNERING WITH A COMPANY FOR COMMERCIALIZATION,
23 THEY'RE PROBABLY GOING TO GO THE GRANT ROUTE. IF
24 THE LEAD IS THE COMPANY AND THEY'RE PARTNERING WITH
25 AN INSTITUTION, THEY'RE GOING TO GO THE LOAN ROUTE.

BARRISTERS' REPORTING SERVICE

1 MR. KLEIN: DUANE, IF THE LEAD IS AN
2 INSTITUTION, BUT THEY HAVE A COMPANY IN IT --

3 MR. ROTH: THAT'S WHAT I MEAN. THEY MAY
4 HAVE A COMPANY, BUT IT STILL MAY BE INSIDE THE
5 INSTITUTION.

6 MR. KLEIN: BUT THEY COULD JUST AS EASILY
7 GO FOR THE LOAN PROGRAM BECAUSE THE LOAN GETS PAID
8 BACK.

9 MR. ROTH: BOB, THEY CAN DO WHATEVER THEY
10 WANT. I'M JUST SUGGESTING, THE WAY I THINK IT WILL
11 GO, MY EXPECTATION, IS THAT IF IT IS AN
12 INSTITUTIONAL LEAD, THE PI, WHO WANTS TO ADVANCE
13 SOMETHING TRANSLATIONALLY, THEY'RE PROBABLY GOING TO
14 GO FOR THE GRANT. THEY CAN DO EITHER, BUT THEY'RE
15 PROBABLY GOING TO GO FOR THE GRANT.

16 DR. CSETE: I THOUGHT THIS WAS FOR-PROFIT
17 ONLY ON THE LOANS. A UNIVERSITY CAN'T ISSUE --

18 MR. ROTH: I'VE BEEN THROUGH THAT, GUYS.
19 YOU CAN DO THAT. THEY CAN SET IT UP, AND WE DON'T
20 HAVE TO GO BACK OVER THAT. THEY CAN SET IT UP SO
21 THAT THEY CAN GET A CORPORATION INSIDE THE
22 UNIVERSITY. THEY CAN SET THAT UP. IT'S STILL A
23 QUESTION OF WHO'S GOING TO LEAD AND WHO'S GOING TO
24 BE THE PARTNER. AND I THINK THAT'S HOW IT WILL
25 BREAK OUT BECAUSE YOU DO HAVE 70 MILLION TO GIVE FOR

BARRISTERS' REPORTING SERVICE

1 GRANTS.

2 CHAIRMAN GOLDBERG: YEAH.

3 MS. KING: MICHAEL, I THINK THAT DR. OLSON
4 HAS A QUESTION OR A COMMENT. OKAY. NOT AT THIS
5 TIME.

6 CHAIRMAN GOLDBERG: OKAY.

7 MR. SHEEHY: CAN I ASK A QUESTION? SO
8 JUST TO BE CLEAR, THE GRANTS WOULD BE REVIEWED IN
9 THE TECHNICAL REVIEW WITH NO DISCRIMINATION BETWEEN
10 GRANT OR LOAN. THAT WOULD BE BLINDED, RIGHT? AND
11 THEN PROGRAMMATICALLY, WHEN YOU LOOK AT THE
12 AVAILABLE MONEY, YOU KNOW, THEN YOU WOULD SEGREGATE,
13 RESEGREGATE, BECAUSE THAT WOULD BE MAKE A DIFFERENCE
14 AT THAT POINT.

15 MR. KLEIN: YOU'RE RIGHT, JEFF.

16 MR. SHEEHY: YOU USUALLY FUND TO A LINE.
17 THAT'S THE PLAN, RIGHT?

18 MR. KLEIN: YOU'RE CORRECT.

19 MR. SHEEHY: THAT MAKES SENSE.

20 CHAIRMAN GOLDBERG: IN TERMS OF ITEM NO.
21 3, WHAT WE WANTED TO TELEGRAPH WAS THAT IT WOULD NOT
22 BE BEYOND THE SCOPE OF OUR PLANNING TO PROVIDE LOANS
23 IN THE RANGE OF 25 TO 50 MILLION PER LOAN FOR
24 CLINICAL TRIALS. ED, IF YOU WOULD CARE TO COMMENT
25 ABOUT THAT GIVEN YOUR EXPERIENCE IN INDUSTRY-BASED

BARRISTERS' REPORTING SERVICE

1 CLINICAL TRIALS.

2 DR. PENHOET: WELL, ONLY THAT WE SIGNAL
3 THAT THERE IS ENOUGH MONEY AT THAT STAGE, THAT IT'S
4 A REALISTIC EXPECTATION THAT COMPANIES THAT ARE
5 SUCCESSFUL WITH THEIR DISEASE TEAM APPLICATIONS AND
6 GET SOME POTENTIAL PRODUCT TO THE LEVEL OF AN IND,
7 THEN THERE ACTUALLY WOULD BE SOME POTENTIAL FUNDING
8 AVAILABLE FOR THEM TO DO CLINICAL TRIALS. THAT
9 WOULD BE LARGE SUMS OF MONEY.

10 CHAIRMAN GOLDBERG: YEAH.

11 MR. KLEIN: AND WE'RE NOT TALKING ABOUT
12 TAKING THEM THROUGH PHASE III. WE'RE TALKING ABOUT,
13 ED, GIVING THEM ENOUGH MONEY THAT POTENTIALLY THEY
14 COULD ATTRACT SOME MATCHING FUNDS AND GET THROUGH
15 PHASE I OR MAYBE THROUGH PHASE I AND PHASE II A OR
16 II B.

17 DR. PENHOET: YES.

18 MR. KLEIN: AT THAT POINT, IF IT DOESN'T
19 ATTRACT CAPITAL, THERE MAY BE SOME OTHER ISSUES.

20 DR. PENHOET: YES, FOR SURE.

21 CHAIRMAN GOLDBERG: OKAY.

22 DR. PENHOET: MAKE SURE WE SEND THE SIGNAL
23 THAT WE UNDERSTAND THAT ISSUE, AND THAT THERE'S
24 LIKELY TO BE FUNDING AVAILABLE BEYOND THE IND.

25 CHAIRMAN GOLDBERG: YES. ANY COMMENTS OR

BARRISTERS' REPORTING SERVICE

1 QUESTIONS ON THAT POINT?

2 MR. ROTH: JUST THINKING THROUGH THAT, IF
3 I LOOKED AT THIS AND I SAW 50 MILLION AND WE HAVE A
4 CONSIDERABLE AMOUNT OF TIME TO DO THIS, WOULDN'T YOU
5 ALL APPLY FOR 50 MILLION AND PUT IT IN THERE?

6 DR. PENHOET: MAYBE.

7 MR. KLEIN: THE MATCHING FUND REQUIREMENT
8 IS GOING TO BE THERE TOO.

9 MR. ROTH: I KNOW. BUT YOU'D STILL PUT IT
10 IN THERE BECAUSE -- YOU KNOW, I THINK YOU WILL
11 PROBABLY INVITE EVERYBODY TO PUT 50 MILLION IN. AND
12 THE QUESTION IS WHAT DO WE DO THEN WITH THAT?

13 MR. KLEIN: SO YOU'RE THINKING THAT WE
14 SHOULD 25 MILLION OR MORE BASED UPON DOCUMENTATION.

15 MR. ROTH: YOU KNOW, IT'S THE PER LOAN
16 PIECE, I THINK, THAT I HAVE A PROBLEM. I DON'T HAVE
17 PROBLEM SAYING THAT YOU WANT TO DEDICATE OF THE 140
18 MILLION 50 MILLION TO CLINICAL TRIALS.

19 MR. KLEIN: 200 MILLION FOR CLINICAL
20 TRIALS.

21 MR. ROTH: 200 MILLION FOR CLINICAL TRIALS
22 ONLY, OR ARE WE NOW TALKING ABOUT THE DISEASE TEAM?

23 CHAIRMAN GOLDBERG: WE'RE NOW TALKING
24 ABOUT CLINICAL TRIAL LOANS.

25 MR. KLEIN: JUST CLINICAL TRIALS.

BARRISTERS' REPORTING SERVICE

1 MR. ROTH: WHICH AREN'T PART OF THE
2 DISEASE TEAMS?

3 CHAIRMAN GOLDBERG: THAT'S CORRECT.

4 DR. AZZIZ: I'M A LITTLE CONFUSED NOW.

5 MR. ROTH: THAT'S MY PROBLEM. THIS
6 DOCUMENT HAS GOT THREE DIFFERENT THOUGHTS IN IT.

7 MR. KLEIN: IT'S GOT A BASIC POLICY AND
8 THEN IT'S GOT A BREAKDOWN DISCUSSION OF DISEASE
9 TEAMS BECAUSE WE'RE UP AGAINST IT, AND WE'VE GOT TO
10 GET SOME INFORMATION OUT TO PEOPLE WITH ENOUGH
11 LEAD-TIME SO THEY KNOW WHAT TO EXPECT. AND THEN THE
12 OTHER POINT WAS, I THINK, DUANE, YOU YOURSELF MADE
13 THE SUGGESTION PREVIOUSLY THAT WE TELL PEOPLE THAT
14 THERE'S ENOUGH OF A BUDGET FOR CLINICAL TRIALS. IT
15 MAY HAVE BEEN ED. THAT THERE'S ENOUGH OF A BUDGET
16 FOR CLINICAL TRIALS THAT PEOPLE KNOW THERE IS A
17 POTENTIAL SOURCE SUBJECT TO RFA'S BEING APPROVED,
18 SUBJECT TO COMPETITION FOR PEOPLE TO, IF THEY'RE
19 SUCCESSFUL GETTING THEIR IND APPROVED, TO COME BACK,
20 THAT THERE WILL BE A PROGRAM THAT WILL ADDRESS
21 CLINICAL TRIALS.

22 MR. ROTH: YES, I DO AGREE WITH THAT. AND
23 I WOULD MAKE SUGGESTIONS AROUND THAT, BUT I DO
24 BELIEVE THIS DOCUMENT, AND MAYBE OTHERS AREN'T AS
25 CONFUSED AS I AM, BUT I DO THINK WE'RE TRYING TO

BARRISTERS' REPORTING SERVICE

1 DEAL WITH FAR TOO MANY CONCEPTS. THERE SHOULD BE A
2 DOCUMENT THAT DOESN'T GET CONTAMINATED WITH A
3 SPECIFIC RFA WHICH WE'RE GOING BACK AND FORTH ON.

4 IF THAT WERE THE CASE, I WOULD BE
5 RECOMMENDING THAT WE SET ASIDE SOMETHING LIKE 500
6 MILLION OR TARGET 500 MILLION FOR TRANSLATIONAL LOAN
7 PROGRAMS. AND IN THAT YOU COULD SET ASIDE A
8 SIGNIFICANT PART OF THAT. IT'S ALL TARGETED. IT
9 WOULD ALL HAVE TO COME BACK AND BE DECIDED LATER.

10 WHAT I'M CONFUSED ABOUT WITH THIS DOCUMENT
11 IS THAT -- SO HERE I THOUGHT WE WERE TALKING AGAIN
12 ABOUT THE DISEASE TEAMS.

13 MR. KLEIN: NO, YOU'RE NOT. THERE'S ONLY
14 ONE PARAGRAPH THAT DEALS WITH DISEASE TEAMS. AND
15 THE IMPORTANCE OF THAT IS THE DESPERATE NEED FOR
16 INFORMATION FOR PEOPLE WITH ENOUGH LEAD-TIME TO
17 RESPOND TO IT.

18 DR. AZZIZ: BOB, I HAVE TO AGREE WITH
19 DUANE BECAUSE THIS HAS BEEN PART OF MY CONFUSION. I
20 THOUGHT WE WERE TRYING TO DO A HIGH-LEVEL DISCUSSION
21 OF THE LOAN PROGRAM. AND, OF COURSE, WE DO GET
22 DIGRESSED INTO THE DISEASE TEAM OR CLINICAL TRIAL,
23 LOANS. AND THAT'S SORT OF AFFECTING THE WAY WE'RE
24 DISCUSSING THIS. THAT'S ONE.

25 THE SECOND THING, I DO APPRECIATE YOU

BARRISTERS' REPORTING SERVICE

1 WANTING TO GIVE PEOPLE LEAD-TIME; BUT IF THE
2 MECHANISM, AND, AGAIN, MAYBE I'M NOT UNDERSTANDING
3 ANYTHING, BUT IF THE MECHANISM REALLY IS THAT THEY
4 HAVE TO A PRIORI STATE THAT THEY'RE GOING TO BE
5 APPLYING FOR A LOAN, BUT THE ACTUAL LOAN PROGRAM
6 HASN'T BEEN FINALIZED, IT'S GOING TO BE VERY
7 DIFFICULT FOR PEOPLE TO ACTUALLY APPLY FOR THAT
8 LOAN.

9 SO MY POINT IS THAT IF WE'RE GOING TO
10 FINALIZE THE RFA FOR THE LOAN PROGRAM BEFORE THE
11 CLINICAL TRIAL LOANS ARE OUT, THEN WE SHOULD DO THAT
12 AND NOT WORRY SO MUCH ABOUT TRYING TO SET MYTHICAL,
13 IF YOU WOULD, OR HYPOTHETICAL AMOUNTS FOR THE LOANS.

14 THE OTHER THING IS I DON'T UNDERSTAND THIS
15 25 TO 50 MILLION PER LOAN. IS THAT SO IF SOMEBODY
16 COMES IN AND NEEDS 18 MILLION, IS THAT NOT GOING TO
17 BE APPLICABLE? IS THIS THE MAXIMUM PER LOAN THAT
18 YOU'RE APPLYING?

19 MR. KLEIN: THESE ARE MAXIMUMS.

20 DR. AZZIZ: SO THE MAXIMUMS.

21 MR. KLEIN: THE WORD "MAXIMUM" SHOULD SAY
22 MAXIMUM RANGE.

23 DR. AZZIZ: IT WASN'T THERE. SO MY POINT
24 IS, AND I HAVE TO AGREE WITH DUANE, IT WOULD BE MUCH
25 EASIER IF WE COULD SORT OF SET UP FOUR OR FIVE

BARRISTERS' REPORTING SERVICE

1 BULLETS, ALL OF US AGREE ON WHAT THE LOAN PROGRAM
2 WILL LOOK LIKE IN GENERAL, AND THEN HAVE A
3 SUBCOMMITTEE OR WHATEVER REALLY QUICKLY LOOK AT HOW
4 WE'RE GOING TO WORK WITH THE CLINICAL TRIALS AND
5 THEN THE DISEASE TEAMS.

6 MR. KLEIN: WELL, FROM A FINANCE
7 VIEWPOINT, AND THERE'S OTHER PEOPLE HERE WHO SHOULD
8 SPEAK UP BECAUSE THEY'VE RAISED THIS ISSUE BEFORE,
9 BUT FROM A FINANCE VIEWPOINT, WE'VE GOT A SECTOR OUT
10 THERE THAT DOESN'T KNOW WHETHER THERE'S GOING TO BE
11 ANY MONEY AVAILABLE FOR CLINICAL TRIALS. AND
12 WHATEVER HAPPENS HAS TO BE ONLY FOR THE BEST
13 SCIENCE, ONLY FOR THE BEST AND MOST IMPORTANT
14 PROGRAMS. BUT THEY NEED TO KNOW THAT THIS LOAN
15 PROGRAM WILL INCLUDE A PORTION THAT WILL ADDRESS
16 PHASE I OR PHASE I OR II A OR II B CLINICAL TRIALS.

17 FROM A FINANCE VIEWPOINT, WE FAIL THE
18 ENTIRE FIELD IF WE DON'T TELL THEM THAT NOW,
19 PARTICULARLY GIVEN THE CONDITIONS OF THIS COUNTRY AT
20 THIS TIME. IF WE WANT TO INDUCE MONEY INTO THIS
21 FROM VENTURE CAPITAL, IF WE WANT TO INDUCE MONEY IN
22 THIS FROM ANYBODY, ANGEL CAPITAL, THEY NEED TO KNOW
23 THAT IF THEY'VE GOT THE BEST AND BRIGHTEST IDEA TO
24 GET TO PATIENTS, THAT THERE WILL BE A PORTION OF
25 THIS LOAN PROGRAM THAT WILL BE AVAILABLE FOR

BARRISTERS' REPORTING SERVICE

1 CLINICAL TRIALS. AND WE NEED TO PUT A DOLLAR AMOUNT
2 ON IT FOR PLANNING PURPOSES, WHICH WE CAN CHANGE,
3 BUT AT LEAST GIVE THEM ENOUGH COMFORT FOR PLANNING
4 PURPOSES TO TELL THEM IT'S A SIGNIFICANT COMPONENT
5 OF WHAT WE'RE CONTEMPLATING.

6 DR. PENHOET: ONE WAY TO DEAL WITH THAT,
7 BOB, WE HAVE NOT APPROVED THE SORT OF GENERIC LOAN
8 POLICY. ONE WAY TO DO IT WOULD BE TO SPLIT THESE
9 TWO ISSUES. ONE WOULD BE THE POLICY WE WANT TO
10 APPROVE WITH THE GENERIC FEATURES OF OUR LOAN
11 PROGRAM IN IT, AND THEN JUST LIST A SERIES OF LIKELY
12 USE OF PROCEEDS FOR THE LOAN PROGRAM, AND PUT SOME
13 OF THESE THINGS DOWN THERE, BUT DON'T TRY TO
14 INTEGRATE THOSE NUMBERS AND PROGRAMS DIRECTLY INTO
15 THE POLICY ITSELF.

16 SO YOU WOULD SEND A SIGNAL, BUT THAT WOULD
17 BE AN ADDENDUM OR A, YOU KNOW, FULLER DESCRIPTION OF
18 WHERE WE MIGHT BE GOING, BUT THAT WOULDN'T
19 NECESSARILY SORT OF GET EMBEDDED IN THE APPROVAL OF
20 THE SORT OF OVERALL LOAN POLICY THAT WE'RE TRYING TO
21 GET TO.

22 MR. KLEIN: THAT'S A GOOD SUGGESTION. SO
23 WE COULD SPLIT OUT THE DISEASE TEAM ALLOCATION AND
24 THE ALLOCATION FOR PLANNING PURPOSES POTENTIAL FOR
25 CLINICAL TRIALS INTO A SEPARATE SHEET THAT LOOKS AT

BARRISTERS' REPORTING SERVICE

1 THOSE AS SEPARATE ISSUES SEPARATE FROM THE GENERIC
2 POLICY.

3 DR. PENHOET: AND THEN WE CAN GET A SENSE
4 OF THE BOARD FOR THOSE THINGS. IF THE BOARD SAYS,
5 YES, WE ENDORSE, YOU KNOW, FURTHER WORK ON REFINING
6 THOSE SPECIFIC THINGS FOR THE FUTURE, THEN WE SEND A
7 SIGNAL, BUT WE DON'T MUDDLE THE CONVERSATION ABOUT
8 THE OVERALL POLICY FOR LOANS WHICH WE HAVE TO GET
9 DONE AT THIS MEETING, I THINK.

10 MR. KLEIN: I THINK THAT I PERSONALLY
11 WOULD SUPPORT THAT APPROACH. I'D LIKE TO HEAR FROM
12 OTHER PEOPLE.

13 CHAIRMAN GOLDBERG: DUANE, DOES THAT
14 ADDRESS YOUR ISSUE? RICARDO?

15 MR. ROTH: THAT'S EXACTLY WHAT I'VE BEEN
16 ASKING FOR. LET'S SEPARATE OUT, LET'S DEAL WITH HOW
17 BIG IS THE LOAN PROGRAM, WHAT ARE WE GOING TO
18 TARGET, AND THEN LET'S DEAL WITH THE SPECIFIC OF THE
19 FIRST ONE WE'RE GOING TO DO.

20 DR. AZZIZ: I AGREE, BOB. THAT'S EXACTLY
21 WHAT I WAS ASKING FOR.

22 MR. KLEIN: OKAY.

23 MS. KING: MICHAEL, JUST SO YOU KNOW, WE
24 DO HAVE A PUBLIC QUESTION OR COMMENT HERE IN SAN
25 FRANCISCO WHENEVER YOU'RE READY FOR THOSE.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: PLEASE GO AHEAD.

2 MR. TANNYROSE: HI, THIS IS MIKE TANNYROSE
3 FROM THERAGEN. I'D JUST LIKE TO GIVE A SMALL
4 COMPANY PERSPECTIVE. I'VE WORKED WITH A
5 VENTURE-FUNDED FIRM OF FIVE PEOPLE, AND WE HAVE A
6 PRODUCT, A CELL-BASED PRODUCT IN PHASE I TRIALS.
7 WE'VE RAISED \$9 MILLION TO DATE. AND WE'RE REALLY
8 INTERESTED IN THIS KIND OF LOAN PROGRAM.

9 ONE THING THAT I'VE HEARD TALKED ABOUT
10 REPEATEDLY AMONG SMALL COMPANY PEOPLE IS THE CONCERN
11 ABOUT MAKING THESE LOANS TOO BIG AND, THEREFORE,
12 PREVENTING SMALLER ENTITIES, YOU KNOW, LIKE MY OWN,
13 FROM GETTING, YOU KNOW, A \$10-MILLION LOAN BECAUSE
14 THERE'S A COMPANY THAT GOT A \$50-MILLION LOAN. AND
15 ON THE MARKET WE WOULD NEVER QUALIFY FOR A
16 \$50-MILLION LOAN.

17 CHAIRMAN GOLDBERG: RIGHT. I THINK THAT'S
18 A POINT WELL TAKEN AND ONE THAT WAS CONTEMPLATED IN
19 THE NEXT AGENDA ITEM, WHICH HOPEFULLY WE'LL GO
20 THROUGH VERY QUICKLY, SO WE CAN KIND OF GET THIS
21 CALL WRAPPED UP.

22 MR. TANNYROSE: THANK YOU.

23 CHAIRMAN GOLDBERG: SO IT HAS TO DO WITH
24 MATCHING FUND SCENARIOS. AND I THINK THE CATEGORIES
25 ARE SELF-EVIDENT DEPENDING ON THE SIZE OF THE LOAN.

BARRISTERS' REPORTING SERVICE

1 IN THE CASE OF A \$20-MILLION LOAN, THE MATCH WOULD
2 START FROM THE FIRST DOLLAR IN AND PROCEED TO BE 300
3 PERCENT OF THE TOTAL LOAN AMOUNT AT THE FIFTH
4 INCREMENT. SO THE NOTION CONCEPTUALLY WAS THAT WE
5 WOULD PROVIDE AN INCENTIVE FOR MATCHES AND THAT THAT
6 INCENTIVE OVER THE COURSE OF SUCCESSFUL MILESTONE
7 COMPLETION SHOULD BE EXTENDED, AND THE RECIPIENT
8 SHOULD BE CHALLENGED TO BE ABLE TO GET MORE MONEY IN
9 MATCHING FUNDS AS THEY SUCCESSFULLY REDUCE RISK
10 THROUGH MILESTONE COMPLETION.

11 MR. KLEIN: MICHAEL, FOR HIS POINT, IN
12 TERMS OF SMALL LOANS, THERE FOR DISCUSSION PURPOSES,
13 IT WAS PROPOSED THAT THERE WOULD BE NO MATCH ON THE
14 FIRST MILLION.

15 CHAIRMAN GOLDBERG: CORRECT.

16 MR. KLEIN: SO SMALL COMPANIES MIGHT BE
17 ABLE TO GET FURTHER DOWNSTREAM WHERE THEY COULD EARN
18 OR QUALIFY FOR FUNDS FROM ANGEL CAPITAL OR OTHER
19 MATCH SOURCES.

20 CHAIRMAN GOLDBERG: CORRECT. IT'S THOUGHT
21 THAT THAT -- THIS IS A DISCUSSION DOCUMENT, AND
22 WE'VE TRIED TO PUT A STAKE IN THE GROUND ON VARIOUS
23 AMOUNTS TO ELICIT COMMENT SO THAT WE CAN DO THE BEST
24 AT OPTIMIZING AMOUNTS. BUT I GUESS THE QUESTION
25 I'VE GOT FOR THOSE OF YOU ON THE PHONE: IS THERE

BARRISTERS' REPORTING SERVICE

1 STRUCTURALLY INDEPENDENT OF THE AMOUNTS THAT MIGHT
2 BE DROPPED IN OR THE RATIOS THAT MIGHT BE DROPPED IN
3 SUBJECT TO FURTHER VETTING? IS THIS A STRUCTURE
4 THAT CONCEPTUALLY IS SENSIBLE TO YOU?

5 DR. PENHOET: MY CONCERN ABOUT IT IS IT'S
6 COUNTER TO OUR DESIRE TO MAKE LOANS ATTRACTIVE AS
7 OPPOSED TO GRANTS. AND, IN GENERAL, WE'VE HAD NO
8 MATCHING REQUIREMENTS IN OUR GRANTS. SO I'M A
9 LITTLE BIT WORRIED --

10 CHAIRMAN GOLDBERG: THAT'S A POINT WELL
11 TAKEN.

12 DR. PENHOET: I THINK WE RAISE THE BAR
13 HERE BY REQUIRING SOME MATCHING. YOU KNOW, I THINK
14 ANY COMPANY WILL BE OPPORTUNISTIC ABOUT RAISING
15 MONEY. IF OUR MONEY HELPS THEM RAISE OTHER MONEY,
16 THAT'S GREAT. I THINK TO PUT IN AN ACTUAL
17 REQUIREMENT FOR MATCHING --

18 MR. KLEIN: ED, THESE ARE PUT IN AS
19 GUIDELINES, BUT THAT'S THE PURPOSE OF THIS
20 DISCUSSION. AND ON GRANTS, IF IT'S GOING TO COST
21 YOU \$35 MILLION TO GET TO AN IND, ON A PRACTICAL
22 VIEWPOINT, YOU'RE GOING HAVE TO HAVE MATCHING FUNDS
23 ON THE GRANT THAT RELATE TO THE MILESTONES BECAUSE,
24 NOW, IF YOU'RE LUCKY ENOUGH THAT YOU THINK YOU CAN
25 GET TO AN IND WITH 12 OR \$14 MILLION, THEN MAYBE YOU

BARRISTERS' REPORTING SERVICE

1 DON'T YOU NEED A MATCH. BUT FOR THE LARGER, MORE
2 AMBITIOUS PROJECTS ON GRANTS, IT SEEMS TO ME THAT
3 THEY'RE GOING TO NEED A MATCH BECAUSE WE CAN'T
4 AFFORD TO FUND \$40-MILLION GRANTS TO GET TO AN IND.

5 MR. ROTH: MAYBE I CAN TELL YOU A LITTLE
6 BIT OF BACKGROUND WE HAD AND SOME DISCUSSION WE
7 ABOUT IN THIS THE TASK FORCE. THE APPLICANTS WILL
8 TELL US WHAT THEIR MILESTONES ARE IN THEIR
9 APPLICATION. THEY SHOULD ALSO IN THEIR BUSINESS
10 PART OF IT TELL US HOW MUCH MONEY IT'S GOING TO TAKE
11 TO DO THAT AND HOW MUCH OF IT THEY'RE ASKING US FOR.

12 IF IT'S SET UP PROPERLY, AND THE INITIAL
13 MILESTONE IS AN IND, AND IF THEY ACHIEVE AN IND TO
14 GET TO PHASE I, WHICH IS THE NEXT MILESTONE, OR
15 PHASE II, LET'S SAY IS THE NEXT MILESTONE, IT COSTS
16 15 MILLION TO DO THE PHASE I, AND WE'RE PROVIDING 5
17 MILLION OF THAT, THEY WOULD HAVE TO SHOW US, IN
18 FACT, HAVE THE 10 MILLION SECURED BEFORE WE GIVE
19 THEM THE 5 MILLION. AND THAT WOULD BE PART OF THE
20 DILIGENCE DONE BY THE UNDERWRITER.

21 SO MY SENSE WOULD BE THAT YOU REALLY
22 STRUCTURE THIS SO THE APPLICANT HAS TO TELL YOU HOW
23 MUCH MONEY IS NEEDED TO DO THAT NEXT PHASE AND HOW
24 MUCH OF IT IS CIRM MONEY, HOW MUCH IS YOUR LOAN.
25 THEY THEN WILL HAVE TO SHOW US THEY GOT THE

BARRISTERS' REPORTING SERVICE

1 ADDITIONAL AMOUNT. THAT'S THE LEVERAGE. BECAUSE IT
2 WILL NEVER GO ONE MILLION, ONE MILLION, ONE MILLION.
3 IT WILL LIKELY GO TWO MILLION, THREE MILLION, EIGHT
4 MILLION. AND EACH OF THOSE, IF THAT'S THE CASE, IF
5 THAT'S AN 11 MILLION TOTAL AND IT COST 42 MILLION TO
6 DO IT, THEY GOT TO TELL YOU WHERE THE REST OF THAT
7 IS COMING AND HAVE IT SECURED BEFORE WE WRITE OUR
8 CHECK.

9 THE ADVANTAGE OF THAT IS IT ALLOWS THE
10 APPLICANT TO GO INTO THE MARKET AND RAISE THE
11 ADDITIONAL MONEY BY SAYING WE HAVE THIS, WE NEED YOU
12 TO DO THAT. WHEN THOSE COME TOGETHER, THEN WE CAN
13 GO TO THE NEXT PHASE.

14 DR. PENHOET: THAT'S WHAT I HAD IN MIND
15 TOO, THAT THEY WOULD HAVE TO DEMONSTRATE THEY HAVE
16 ADEQUATE FUNDING TO COMPLETE THE PROJECT, BUT WE
17 WOULDN'T CALL IT MATCHING NECESSARILY.

18 MR. KLEIN: WHAT'S THE DIFFERENCE?

19 MR. ROTH: THEY HAVE TO HAVE IT.

20 MR. KLEIN: THEY HAVE TO HAVE IT. IT'S
21 ESSENTIALLY MATCHING FUNDS. AND IN TERMS OF OUR
22 STEWARDSHIP WITH THE PUBLIC, IF THE PUBLIC
23 UNDERSTANDS THAT OTHER ENTITIES, PRIVATE COMPANIES,
24 ARE PUTTING MONEY IN AS WELL, IT WILL CERTAINLY HELP
25 US COMMUNICATE TO THE PUBLIC THAT OTHER MONEY IS AT

BARRISTERS' REPORTING SERVICE

1 RISK, NOT JUST THE STATE'S.

2 DR. PENHOET: THAT MIGHT ALSO BE TRUE OF A
3 GRANT. I SUPPOSE IF THE GOAL OF THE DISEASE TEAM
4 GRANT IS THE IND AND SOMEBODY IS PROPOSING TO US A
5 DISEASE TEAM GRANT, THEY'LL HAVE TO GIVE US SOME
6 INDICATION OF HOW THEY'RE GOING TO PAY FOR THE
7 UNFUNDED PART OF THE PROGRAM.

8 MR. KLEIN: I WOULD THINK THAT YOU'RE
9 GOING TO HAVE SCIENTIFIC MILESTONES ON A GRANT THAT
10 ARE GOING TO RELATE TO FUNDING MILESTONES, AND
11 PEOPLE ARE GOING -- I WOULD THINK THAT WE WOULD ASK
12 THEM TO SHOW US, JUST LIKE ON THE LOAN, THAT THEY
13 HAVE THE MONEY TO GO FORWARD TO COVER THE BUDGET IN
14 ADDITION OR SEPARATE FROM OUR FUNDS. NOW --

15 DR. PENHOET: BUT THEY MIGHT APPLY FOR A
16 \$10-MILLION LOAN AND HAVE \$2 MILLION OF THEIR OWN TO
17 APPLY, SO IT'S \$12 MILLION. OR THEY MIGHT APPLY FOR
18 A \$10-MILLION LOAN FOR A \$25-MILLION PROGRAM. I
19 THINK THE MEASUREMENT IS WHETHER THEY HAVE ADEQUATE
20 FUNDS TO FINISH THE PROJECT, NOT WHETHER WE DECIDE A
21 PRIORI WE'RE GOING TO FUND SOME FIXED PERCENTAGE OF
22 THE PROJECT.

23 MR. KLEIN: I THINK THAT'S REASONABLE.

24 CHAIRMAN GOLDBERG: ME TOO.

25 MR. ROTH: THAT'S EXACTLY RIGHT. THEY

BARRISTERS' REPORTING SERVICE

1 WON'T HAVE ALL THE MONEY UP FRONT OBVIOUSLY. THEY
2 ACHIEVE MILESTONES AND RAISE MONEY.

3 CHAIRMAN GOLDBERG: CORRECT.

4 MR. KLEIN: I THINK THAT'S RIGHT.

5 CHAIRMAN GOLDBERG: SO I WOULD PROPOSE
6 THAT WHAT WE DO IS REPHRASE THIS TO CAPTURE THAT.

7 DR. TROUNSON: I JUST WONDERED HOW THE
8 THOUGHT GOES THAT THIS IS GENERALLY GOING TO HAVE TO
9 BE MILESTONE BECAUSE I GUESS THE FUNDING WILL BE
10 MILESTONE, WON'T IT? DON'T THEY GENERALLY --
11 THEY'RE ENABLED REALLY BY MAKING MILESTONES TO GET
12 THE NEXT PART OF THE MONEY.

13 CHAIRMAN GOLDBERG: RIGHT.

14 DR. TROUNSON: -- MILESTONES AND THAT YOU
15 HAVE TO DEMONSTRATE, YOU KNOW, THAT YOU'VE DONE IT
16 SCIENTIFICALLY, AND FOR THE NEXT WHATEVER, YOU'VE
17 GOT TO DO BOTH THE SCIENCE OR THE TECHNOLOGY PLUS
18 HAVE THE MONEY.

19 CHAIRMAN GOLDBERG: CORRECT.

20 MR. KLEIN: WE AGREE.

21 CHAIRMAN GOLDBERG: ANY PUBLIC COMMENT,
22 CEDARS, ELSEWHERE?

23 DR. AZZIZ: NO PUBLIC COMMENTS FROM HERE
24 ON THIS RIGHT NOW.

25 CHAIRMAN GOLDBERG: PUBLIC COMMENT IN

BARRISTERS' REPORTING SERVICE

1 MENLO PARK?

2 MR. KESSLER: YES. THIS IS STEVE KESSLER.
3 SO YOU'RE TALKING ABOUT TWO DIFFERENT KINDS OF
4 MILESTONES. ONE IS THE FUNDING TRANCHES. THE OTHER
5 IS THE ACCOMPLISHMENT OF GOALS.

6 CHAIRMAN GOLDBERG: CORRECT, WHICH IS PART
7 OF OUR --

8 MR. KESSLER: IF WE WERE A COMPANY THAT
9 WERE INVOLVED IN THIS PROCESS, YOU MIGHT HAVE A PI
10 ON THE GRANT OR THE LOAN. YOU MIGHT ALSO HAVE A
11 PROJECT MANAGER WHO MIGHT BE A DIFFERENT PERSON.
12 YOU WOULD HAVE MILESTONES. YOU WOULD HAVE DECISION
13 POINTS. YOU WOULD HAVE GO/NO GO CRITERIA, RIGHT?
14 AND IF YOU DIDN'T MEET THAT, THEN YOU'RE, YOU KNOW,
15 EITHER LEVEL FUNDED OR YOU DROP -- YOU KNOW, YOU
16 DROP THE PROJECT.

17 SO AS SOMEBODY ELSE SAID, THIS IS NOT
18 GOING TO BE EQUAL FUNDING FROM ONE MILESTONE TO THE
19 NEXT. IT'S GOING TO GO GEOMETRICALLY OR
20 LOGARITHMICALLY. SO YOU NEED -- YOU KNOW, THERE
21 PROBABLY SHOULD NOT BE A GUARANTEE OF THE LOAN, BUT
22 SORT OF LIKE IN THERE SUBJECT TO ACHIEVING SPECIFIC
23 GOALS.

24 MR. KLEIN: I THINK WE, AT LEAST HERE, WE
25 AGREE WITH WHAT THE SPEAKER JUST SAID, BUT WE SHOULD

BARRISTERS' REPORTING SERVICE

1 PROBABLY JUST REDO OUR EXAMPLE. THIS IS JUST
2 SETTING IT OUT SIMPLISTICALLY SO THAT WE SHOW THAT
3 AT EACH MILESTONE, THE TOTAL DOLLARS ARE HIGHER.
4 IT'S NOT GOING TO BE A LEVEL DISTRIBUTION. THAT WAS
5 JUST FOR SIMPLICITY PURPOSES TO CALL OUT THAT THERE
6 WILL BE A NUMBER OF MILESTONES THAT ARE
7 SCIENTIFICALLY DRIVEN. AND IF YOU ACCOMPLISH A
8 SCIENTIFIC OBJECTIVE, THEN YOU'RE BETTER ABLE TO
9 RAISE MONEY FOR THE NEXT CYCLE.

10 DR. TROUNSON: RIGHT.

11 CHAIRMAN GOLDBERG: OKAY. ANY FURTHER
12 COMMENTS ON THIS SECTION? I WANT TO WRAP THINGS UP.

13 MR. ROTH: I HAVE A PUBLIC COMMENT IN SAN
14 DIEGO.

15 MS. HAUSER: SIBYLLE HAUSER,
16 DNAMICROARRAY. WE HAD ALREADY TALKED WITH PRIVATE
17 INSTITUTIONS -- WE HAVE A STEM CELL PRODUCT, A
18 DEVELOPED STEM CELL PRODUCT WHICH IS ABOUT TO ENTER
19 CLINICAL TRIALS, SO WE ALREADY INTERVIEWED WITH
20 PRIVATE INSTITUTIONS IN ORDER TO SEE WHETHER WE CAN
21 GET FUNDING. AND IN THE U.S. THERE IS NO INTEREST
22 TO FUND CELL THERAPIES RIGHT NOW FROM VENTURE
23 CAPITALISTS OR PRIVATE INSTITUTIONS UNTIL YOU HAVE
24 PROVEN PROOF OF PRINCIPLE, WHICH WOULD BE PHASE II.
25 SO UNTIL THEN IN OUR LOAN APPLICATION, WE

BARRISTERS' REPORTING SERVICE

1 NEED TO ENTER OR WE NEED TO ACHIEVE TWO MILESTONES,
2 AN IND AND A PHASE I TRIAL BECAUSE WE ANTICIPATE
3 THAT FDA WOULD NOT LET US GO RIGHT AWAY INTO A PROOF
4 OF PRINCIPLE OR DOSE FINDING STUDY, WHICH IS PHASE
5 II. SO WE HAVE TO PUT THAT IN OUR BUSINESS PLAN.
6 OF COURSE, WE TRY TO ARGUMENT AND TO GO RIGHT AWAY
7 INTO A PHASE II BECAUSE WE DON'T SEE ANYTHING IN OUR
8 PHASE I TRIAL REALLY WHICH MAKES IT ATTRACTIVE TO
9 PRIVATE INVESTORS.

10 SO THAT'S THE KNOWLEDGE WE HAVE SO FAR.
11 WE HAVE NOT INVESTIGATED WITH INTERNATIONAL
12 INVESTMENT, SO LIKE SOMEBODY WHO IS ACTING IN
13 EUROPE. BUT OUR POINT IS THAT WE WILL NOT HAVE
14 MATCHING FUNDS UNTIL A MILESTONE WHICH IS DEFINED AS
15 A RESULT OF A PHASE II PROOF OF PRINCIPLE. THAT IS
16 NOT THE FIRST MILESTONE. WE HAVE TO HAVE OTHERS IN
17 ORDER TO REACH THAT.

18 THE PROBLEM I FORESEE FOR THAT LOAN
19 PROGRAM IS AND WE'RE VERY INTERESTED. WE HOPE THAT
20 SOMETHING VERY CLOSE TO THE MARKET BESIDES MONEY
21 (INAUDIBLE). THEY ARE -- EVERY COMPANY WHO ARE IN
22 CLINICAL TRIALS ALREADY AND WHO STRUGGLE TO FIND
23 PRIVATE INVESTMENT IS KIND OF FROZEN.

24 DR. ESMAELI-AZAD: IN OTHER WORDS, PHASE
25 II IS A MILESTONE -- TIMELINE TO LOOK FORWARD TO

BARRISTERS' REPORTING SERVICE

1 RATHER THAN PHASE I. IF YOU CAN CONSIDER THAT IN
2 YOUR DISCUSSION. THANK YOU.

3 MR. ROTH: JUST TO ANSWER THE QUESTION
4 REAL QUICK, I THINK THAT WHAT WE DISCUSSED AT THE
5 VERY END THERE TAKES CARE OF THIS. YOU CAN APPLY
6 FOR A LOAN AND TELL US YOUR NEXT MILESTONE. IN
7 OTHER WORDS, TELL US HOW MUCH MONEY YOU NEED FOR THE
8 LOAN TO GET TO PHASE II. AND THEN ONCE YOU ARE AT
9 PHASE II, HOW MUCH DO YOU NEED TO START THE PHASE
10 II. MAKE THAT YOUR MILESTONE. YOU TELL US THE
11 MILESTONE AND WHAT YOU ARE GOING TO HAVE TO HAVE AT
12 THAT TIME.

13 MR. KLEIN: HOW MUCH MONEY, DUANE, DO THEY
14 PROJECT THAT THEY ACTUALLY NEED TO GET TO PHASE II?

15 MR. ROTH: YOU HAVE AN ESTIMATE OF WHAT
16 YOU MIGHT NEED TO COMPLETE THE IND?

17 DR. ESMAELI-AZAD: WHAT'S THE PROJECTION
18 OF OUR ESTIMATED COST?

19 MS. HAUSER: PROBABLY UP TO 10 MILLION
20 BEFORE THE COMPLETION OF PHASE II.

21 MR. ROTH: 10 MILLION TO THE COMPLETION --
22 FROM NOW TO THE COMPLETION OF PHASE II, SO THAT
23 GIVES YOU AN ORDER OF MAGNITUDE.

24 DR. ESMAELI-AZAD: AND WE WOULD NOT BE
25 ABLE TO PROVIDE MATCHING FUNDS UNTIL WE GET TO PHASE

BARRISTERS' REPORTING SERVICE

1 II. THAT'S OUR WHOLE POINT.

2 MR. ROTH: MY POINT WOULD BE THEN THAT'S
3 PROBABLY HOW I'D WRITE THE APPLICATION. ED, IS THAT
4 WHAT YOU HAD IN MIND? THAT'S HOW YOU WOULD WRITE
5 IT. IF IT GETS APPROVED, YOU DON'T HAVE TO COME UP.
6 BUT AT THAT POINT YOU GO FURTHER, IF YOU'RE ASKING
7 FOR MORE MONEY --

8 DR. ESMAELI-AZAD: YOU NEED TO HAVE
9 MATCHING. THAT'S VERY REASONABLE.

10 MR. KLEIN: SO, DUANE, HOW WOULD YOU
11 EVALUATE IT IF YOU HAD EQUAL SCIENTIFIC SCORES THAT
12 CAME TO THE BOARD FOR THREE PROJECTS, AND THEY ALL
13 NEEDED \$10 MILLION, BUT THEY HAD EQUAL -- THEY ALSO
14 HAD EQUAL CLINICAL IMPORTANCE, AND SOMEBODY CAME TO
15 THE BOARD WITH MATCHING AND THE OTHERS DIDN'T? I
16 WOULD THINK THAT WHILE SOMEONE MIGHT APPLY ON THAT
17 BASIS, THAT IF OTHER PEOPLE WITH EQUAL SCORES AND
18 EQUAL SCIENTIFIC VALUE BRING IN MATCHING FUNDS, THAT
19 WE WOULD -- IT WOULD BE DIFFICULT TO JUSTIFY NOT
20 GOING WITH THE ONE THAT HAS THE MATCHING FUNDS.

21 DR. AZZIZ: I'M AGAIN COMING BACK TO THE
22 DISCUSSION. MATCHING FUNDS, IN GENERAL TERMS, MEANS
23 THAT YOU WILL HAVE TO GO OUT AND IF YOU RECEIVE THE
24 LOAN FOR FIVE MILLION, YOU HAVE TO FIND ANOTHER FIVE
25 MILLION AS OPPOSED TO SAYING THAT YOU ACTUALLY NEED

BARRISTERS' REPORTING SERVICE

1 TO HAVE FIVE MILLION ALREADY; IN OTHER WORDS, THAT
2 YOU NEED TO BE CAPITALIZED. SO, AGAIN, THE ISSUE OF
3 MATCHING FUNDS, BOB, IF YOU DON'T DO IT A PRIORI,
4 THEN YOU'RE GIVING UNFAIR ADVANTAGES BEFORE THE
5 APPLICATION.

6 SO IF YOU'RE GOING TO REQUIRE MATCHING
7 FUNDS -- SO IN THAT SITUATION WHERE ARE THREE LOAN
8 APPLICATIONS THAT HAVE EXACTLY THE SAME RANKING, I
9 DON'T THINK YOU CAN AD HOC POSTREVIEW THEN MAKE
10 DECISIONS ABOUT WHO YOU ARE GOING TO FUND DEPENDING
11 ON WHO'S GOING TO COME UP WITH MATCHING FUNDS IF
12 THAT WAS NOT A REQUIREMENT TO BEGIN WITH.

13 MR. SHEEHY: I THINK THE EXAMPLE IS NOT A
14 GOOD EXAMPLE. I MEAN HAVING SAT THROUGH REVIEWS,
15 VIRTUALLY EVERY ONE WE'VE DONE, PROGRAMMATIC ASPECTS
16 OF IT, NO TWO GRANTS ARE EQUAL. AND NO ONE MAKES A
17 DECISION EXCLUSIVELY ON THE BASIS OF SCIENTIFIC
18 SCORES. SO, YOU KNOW, I THINK INTRODUCING -- I
19 ACTUALLY THINK IT KIND OF CONTAMINATES IT TO
20 INTRODUCE THIS FINANCIAL ELEMENT.

21 AND I THINK THAT THERE WILL BE MORE THAN
22 ENOUGH SCIENTIFIC JUSTIFICATION TO MAKE THE
23 DECISION. THE QUESTION IS HOW MUCH GLOBAL MONEY IS
24 AVAILABLE WHICH WOULD BE ALLOTTED TO THE LOAN
25 PROGRAM OR THE GRANT PROGRAM, BUT THAT'S WHERE THE

BARRISTERS' REPORTING SERVICE

1 DECISION SHOULD BE. IT SHOULDN'T BE ON THE
2 FINANCIAL -- THE ABILITY OF THE OTHER -- YOU KNOW,
3 THIS MATCHING FUND THING, I THINK, IS A LITTLE BIT
4 OFF BASE.

5 DR. PENHOET: I DON'T THINK WE HAVE TO
6 ADDRESS IT NOW, FRANKLY. WE'RE NOT THERE.

7 CHAIRMAN GOLDBERG: YEAH.

8 DR. AZZIZ: THAT'S THE QUESTION BECAUSE I
9 DO THINK THAT WE DO NEED FURTHER DISCUSSION ON THE
10 ISSUE OF MATCHING FUNDS AS TO WHETHER WE'RE ACTUALLY
11 GOING TO REQUIRE THIS OR WE'RE SIMPLY GOING TO
12 REQUIRE A THOROUGH EVALUATION BY OUR BANKING
13 PARTNER. I THINK THAT THESE ARE TWO DIFFERENT
14 ISSUES. AND SO I DON'T THINK WE'RE READY FOR A
15 DECISION ON THIS.

16 DR. PENHOET: DIDN'T WE JUST DECIDE 15
17 MINUTES AGO THAT WE WERE GOING TO SAY, INSTEAD, THAT
18 THE MONEY HAD TO BE -- THAT THEY HAD TO PREPARE A
19 BUDGET AND THAT THE FUNDS HAD TO BE AVAILABLE TO
20 CARRY OUT THE PROJECT ACCORDING TO THE BUDGET. AND
21 IF OUR FUNDS WERE A 100 PERCENT OF THE TOTAL, THEY
22 WOULDN'T NEED A MATCHING FUND. IF OURS WERE HALF --

23 DR. AZZIZ: THAT'S RIGHT, ED. THAT'S WHAT
24 I THOUGHT, AND THEN WE SORT OF GOT BACK INTO THE
25 MATCHING FUND DISCUSSION. THAT'S WHAT CONFUSED ME.

BARRISTERS' REPORTING SERVICE

1 I THOUGHT WE HAD MOVED ON.

2 MR. KLEIN: WAIT A MINUTE, ED. HERE'S THE
3 ISSUE IS IF OUR FUNDS ARE HALF THE MONEY THAT THEY
4 SHOW THEY NEED, RIGHT, WELL, THEORETICALLY YOU
5 WOULDN'T PUT ALL OF OUR MONEY UP FRONT AND THEN LET
6 THEM PUT THEIR MONEY UP. YOU WOULD HAVE THEM PUT IT
7 UP IN SOME REASONABLE RATIO AS A MATCH.

8 DR. PENHOET: I THINK YOU HAVE TO DEAL
9 WITH THAT. EVERY APPLICATION IS GOING TO BE
10 DIFFERENT. EVERYONE'S ABILITY TO PUT A REALISTIC
11 PLAN FORWARD SAYING THEY'RE GOING TO BE ABLE TO
12 RAISE THE MONEY, BUT YOU WOULDN'T WANT TO FUND A
13 PROGRAM IF YOU KNEW IT WAS GOING TO FAIL BECAUSE
14 THERE WEREN'T ADEQUATE FUNDS AVAILABLE UNDER ANY
15 CIRCUMSTANCES.

16 MR. KLEIN: THAT'S MY POINT. I WOULDN'T
17 THINK YOU WOULD WANT TO FUND A PROGRAM WHERE WE WERE
18 PUTTING UP 20 MILLION AND THEY NEEDED TO PUT UP 20
19 MILLION, AND THEY DIDN'T PUT ANY DOLLARS IN UNTIL WE
20 DID -- UNTIL ALL OF OUR DOLLARS WERE IN. THAT WOULD
21 NOT SEEM REASONABLE STEWARDSHIP. YOU WANT TO MAKE
22 PEOPLE INVEST WITH US.

23 NOW, I DON'T HAVE A PROBLEM IN LETTING
24 THEM GET THROUGH THE FIRST MILESTONE; BUT, YOU KNOW,
25 IF THEY NEED -- I UNDERSTAND VERY CLEARLY THAT

BARRISTERS' REPORTING SERVICE

1 PEOPLE ARE ABLE TO TAKE POTENTIAL MATCHING FUNDS AND
2 GET THEM SOLIDIFIED AS THEY GO FORWARD AND ACHIEVE
3 THEIR SCIENTIFIC MILESTONES, BUT I WOULDN'T BE
4 SUPPORTIVE OF A PROGRAM WHERE WE WERE DEPENDING ON
5 SOMEONE ELSE PUTTING UP THE OTHER HALF OF THE MONEY
6 AND THEY PUT IT ALL IN AFTER WE PUT OUR MONIES UP
7 FRONT. THAT DOESN'T MAKE ANY SENSE.

8 MR. SHEEHY: BUT THEY'RE GOING TO PAY US
9 BACK, AREN'T THEY?

10 DR. PENHOET: MAKES SENSE TO ME.

11 MR. KLEIN: WELL, THEN YOU JUST HAVE ONE
12 LESS VOTE FOR THE APPLICATION.

13 DR. PENHOET: THAT COULD BE, BUT JUST
14 LISTEN TO WHAT WE'RE HEARING. THERE'S NO MONEY
15 AVAILABLE IN CAPITAL MARKETS TODAY FOR FUNDING STEM
16 CELL PROGRAMS. SO YOU HAVE TO -- WHAT WE SHOULD BE
17 THINKING ABOUT DOING, IF WE'RE REALLY TRYING TO
18 ADVANCE THE FIELD, YES, WE HAVE TO WORRY ABOUT
19 STEWARDSHIP OF THE MONEY, BUT WE ALSO HAVE TO WORRY
20 ABOUT PRIMING THE PUMP IN SOME WAY. I THINK OUR
21 DOLLARS PROBABLY SHOULD BE VIEWED AS THE HIGHEST
22 RISK DOLLARS.

23 MR. KLEIN: I AGREE WITH THAT. SO IN THE
24 DISCUSSION HYPOTHETICAL --

25 DR. PENHOET: PROSPECT OF RAISING THE

BARRISTERS' REPORTING SERVICE

1 MONEY, THEY HAVE LOUSY MANAGEMENT, FOR A WHOLE SET
2 OF REASONS, THEN I'M WITH YOU, WE SHOULDN'T FUND THE
3 GRANT.

4 MR. ROTH: BOB, I THINK WE CAN HANDLE THIS
5 WITH THE RFA PROCESS BECAUSE THINGS WILL CHANGE OVER
6 THE NEXT FIVE YEARS.

7 DR. PENHOET: THAT'S MY POINT.

8 MR. ROTH: RIGHT NOW I THINK THE TESTIMONY
9 YOU HEARD FROM DOWN HERE IS PROBABLY THE STATE OF
10 THINGS. SO WE MAY BE A LOT MORE FLEXIBLE ON HOW FAR
11 WE LET THEM GO TO THE NEXT MILESTONE.

12 MR. KLEIN: WELL, THERE'S ALSO COMPANIES
13 THAT WILL APPLY, THAT WE KNOW WHO THEY ARE, THAT
14 HAVE FUNDING. AND FOR THOSE COMPANIES NOT TO HAVE
15 TO PUT UP MATCHING FUNDS PRO RATA WITH US WOULDN'T
16 MAKE ANY SENSE. IF IT'S A VERY HIGHLY RANKED
17 SCIENTIFIC GRANT AND THE COMPANY IS A START-UP, THEN
18 CLEARLY I UNDERSTAND WHAT YOU'RE SAYING. BUT IF
19 IT'S A -- WE HAVE COMPANIES OF SOME SIZE THAT WOULD
20 BE APPLYING FOR THIS, AND THOSE COMPANIES WE KNOW
21 HAVE FUNDS. AND IF THEY'RE NOT PUTTING UP MATCHING
22 FUNDS PRO RATA WITH US, THEY'RE JUST PUTTING THEM IN
23 SOME OTHER PROGRAM.

24 DR. PENHOET: IF THEY HAVE THE BEST
25 PROPOSAL AND OF ALL THE PROPOSALS THERE, IT'S THE

BARRISTERS' REPORTING SERVICE

1 HIGHEST PROBABILITY OF ADVANCING OUR AGENDA, AND
2 THEY'RE WILLING TO TAKE A RECOURSE LOAN, I DON'T
3 KNOW WHY --

4 MR. KLEIN: EDDIE, IF IT'S A RECOURSE
5 LOAN, YOU CAN COMPLETELY CHANGE MY VIEWPOINT ON
6 THIS.

7 DR. PENHOET: I THINK WE'LL DEAL WITH ALL
8 THESE DETAILS.

9 MR. KLEIN: BUT I DO AGREE THAT AT THIS
10 BOARD MEETING, MATCHING WE DON'T HAVE ENOUGH
11 INFORMATION ON. I REALLY DO THINK WE NEED -- THAT
12 THERE'S SEVERAL SUBCLASSES WE NEED TO THINK ABOUT.
13 AND IN THE COMMENT PERIOD AND IN THE SUBSEQUENT
14 FINANCE MEETING, I MAY COMPLETELY CHANGE MY MIND.
15 I'M JUST TAKING A POSITION AT THIS TIME THAT,
16 KNOWING THAT SOME COMPANIES ARE GOING TO COMPETE WHO
17 HAVE SIGNIFICANT AMOUNT OF CAPITAL, THEY CAN
18 CERTAINLY PAY FOR PART OF THE COST OF THIS.

19 DR. TROUNSON: I THINK THE WORD "MATCHING"
20 IS THE ONE WHICH IS GETTING HOOKED UP WITH THE
21 PEOPLE. I THINK MAYBE WE OUGHT TO THINK OF IT IN A
22 WAY WHICH IS ENABLING. IT MAY BE THAT MORE FUNDS
23 ARE NECESSARY TO ENABLE THIS OUTCOME. AND IF THAT'S
24 THE CASE, THE JUDGMENT SHOULD BE MADE ON THAT
25 BECAUSE IF WE'RE NOT CONFIDENT THAT THAT GROUP OF

BARRISTERS' REPORTING SERVICE

1 PEOPLE OR THAT COMPANY CAN GET THAT OUTCOME, WE
2 SHOULD BE THOUGHTFUL ABOUT FUNDING THAT.

3 SO IN THE SENSE THAT THEY MIGHT HAVE, YOU
4 KNOW, TEN TIMES THE AMOUNT OF MONEY IN THERE, BUT
5 STILL NEED SOMETHING FROM US TO CROSS THE LINE, THAT
6 MIGHT ALSO BE A VERY REASONABLE PROPOSAL IF THAT IS
7 REALLY THE CASE. SO IT'S NOT IN THE SENSE OF
8 MATCHING. WE'RE PROVIDING SOMETHING WHICH IS
9 ENABLING.

10 MR. KLEIN: OKAY.

11 CHAIRMAN GOLDBERG: OKAY. SO JUST TO DO A
12 WRAP, ITEM NO. 5 IS INFORMATIONAL. AND SO WHAT I
13 WOULD PROPOSE TO DO IS REVIEW IT AT THE BOARD, AND
14 IT WILL BE PRESENTED BY STAFF PRESUMABLY. SO THAT'S
15 ITEM NO. 5.

16 SO AS A RECAP, WHAT WE'D LIKE TO DO IS TO
17 HAVE STAFF MAKE THE REVISIONS TO THE DISCUSSION
18 OUTLINE THAT WE'VE JUST DISCUSSED BASED ON WHAT WE
19 REVIEWED, TO DO THE SAME THING FOR THE LOAN PROGRAM
20 EXTERNAL FINANCIAL BUSINESS REVIEW, OF WHICH I CAN'T
21 RECALL THAT THERE WERE ANY SPECIFIC COMMENTS THAT WE
22 MADE TO CHANGE THAT DOCUMENT, AND THEN TO WORK WITH
23 SILICON VALLEY BANK TO COME UP WITH A MORE GENERIC
24 VERSION OF THEIR SLIDE SET FOR DISCUSSION AND
25 INCLUSION IN THE BOARD BOOK AND DISCUSSION AT THE

BARRISTERS' REPORTING SERVICE

1 BOARD MEETING.

2 MR. ROTH: ONE OTHER SUGGESTION ON THAT IS
3 TO LEAVE THE LAST PAGE OFF TOO.

4 MS. KING: OF THE SVB DECK?

5 MR. ROTH: YEAH.

6 CHAIRMAN GOLDBERG: YEAH, I AGREE. LET ME
7 TAKE A QUICK LOOK TO MAKE SURE I'M TRACKING WITH
8 YOU.

9 MS. KING: ATTACHMENT B, SLIDE NO. 6.

10 MR. KLEIN: WHY LEAVE IT OFF?

11 CHAIRMAN GOLDBERG: JUST BECAUSE YOU THINK
12 IT GETS US TOO DEEP IN THE TREES?

13 MR. ROTH: GO THROUGH IT, BUT THE
14 COMPLIANCE ISSUES, THE COVENANTS ARE THE ONES I
15 SPECIFICALLY DON'T WANT TO GET INTO --

16 CHAIRMAN GOLDBERG: IN OTHER WORDS --

17 MR. KLEIN: WHY DON'T WE JUST LEAVE OFF
18 THE NEGATIVE COVENANTS?

19 CHAIRMAN GOLDBERG: LEAVE OFF THE LAST
20 BULLET POINT, BUT INCLUDE THE FIRST BULLET POINT,
21 WHAT THEY MONITOR. OKAY. THANK YOU.

22 ANY FINAL COMMENTS, QUESTIONS?

23 MR. ROTH: MICHAEL, THE ONLY LAST THING IS
24 DO WE WANT TO THROW OUT A NUMBER THAT YOU ARE GOING
25 TO TAKE INTO THE ICOC AS A TOTAL SCOPE OF THE --

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN GOLDBERG: I THINK 500 IS THE
2 NUMBER THAT IS THE MOST DEFENSIBLE JUST BECAUSE
3 THAT'S THE ONE WE'VE MODELED OFF OF.

4 MR. ROTH: AND I WOULD STRONGLY SUPPORT
5 THAT NUMBER. I THINK THAT'S A FAIR NUMBER. IT'S
6 ABOUT 25 PERCENT OF WHAT WE'VE GOT LEFT TO GIVE.

7 DR. AZZIZ: MICHAEL, JUST TO FOLLOW UP ON
8 DUANE'S, HOW MUCH ARE WE GOING TO REPORT TO THE ICOC
9 ON THE 25TH? IT DOESN'T SEEM LIKE WE'RE QUITE READY
10 FOR PRIME TIME. SO I'M JUST WONDERING ARE YOU GOING
11 TO GIVE THEM AN OVERHEAD, OVERVIEW, OR WHAT IS IT
12 THAT YOU'RE PLANNING ON DOING?

13 MR. KLEIN: THIS IS BOB. WHAT WE
14 PROGRAMMED FOR THAT MEETING IS A CONCEPT APPROVAL
15 WITH THE UNDERSTANDING THAT WITH A CONCEPT APPROVAL,
16 IT WILL THEN DRAW THE COMMENTS OUT OF THE INDUSTRY
17 AND THE PUBLIC OVER THE NEXT 60, 70 DAYS. SO WE'LL
18 HAVE -- PEOPLE WILL KNOW THIS IS A REAL PROGRAM,
19 IT'S REALLY GOING TO HAPPEN, THIS IS A CONCEPT
20 APPROVAL. WE NEED YOUR COMMENTS, YOU KNOW, FOR A
21 VERY SERIOUS INTENSE PERIOD SO THAT ON DECEMBER 5TH
22 WE CAN COME BACK AFTER ANOTHER PUBLIC MEETING WITH
23 BENEFIT OF A LOT BROADER COMMENT BASE WITH A
24 PRESENTATION FOR FINAL APPROVAL.

25 DR. AZZIZ: BOB, AS FAR AS I HAVE HAD

BARRISTERS' REPORTING SERVICE

1 EXPERIENCE WITH PUBLIC COMMENT, YOU GOT TO GIVE THEM
2 SOMETHING THAT IS A LITTLE BIT MORE SPECIFIC.
3 OTHERWISE YOUR COMMENTS ARE GOING TO BE ALL OVER THE
4 PLACE. SO THIS IS WHY I'M WONDERING HOW SPECIFIC
5 ARE WE GOING TO BE ON THURSDAY. AND IF WE ARE, THEN
6 WE'LL PROBABLY HAVE TO CIRCULATE THINGS AROUND
7 RELATIVELY QUICKLY TO TRY TO GET THEM AT LEAST
8 E-MAIL APPROVED OR SOMETHING.

9 MR. KLEIN: THERE'S A LOT OF SPECIFICITY
10 IN THIS, AND THIS SEPARATE SHEET, WE'RE TALKING
11 ABOUT A COMMENT ON BOTH THE -- WE'RE TALKING ABOUT
12 COMMENTS ON HAVING THIS ON THE SIZE OF THE
13 PORTFOLIO, WE'RE TALKING ABOUT HAVING COMMENTS ON
14 THE DIFFERENTIAL SIZE OF THE LOANS BETWEEN GRANTS
15 AND LOANS, WE'RE TALKING ABOUT THE EXTERNAL BUSINESS
16 MODEL FOR REVIEW, WE'RE TALKING ABOUT A SEPARATE
17 SHEET THAT WILL ADDRESS TO DRAW OUT TO GET PEOPLE
18 THINKING AND GIVE THEM NOTICE ON THE RATIO OF LOANS
19 TO GRANTS ON THE DISEASE TEAM PROGRAM. AND, YOU
20 KNOW, THERE'S A LOT OF VERY SPECIFIC INFORMATION
21 THAT WE'VE GONE THROUGH HERE.

22 CHAIRMAN GOLDBERG: SPECIFICALLY, RICARDO,
23 THE RECOMMENDATION THAT I WOULD PROPOSE WE MAKE IS A
24 RECOMMENDATION FOR THE BOARD TO OPINE ON THE PROCESS
25 TO GO FORWARD TO TRY TO REACH AN END POINT BY

BARRISTERS' REPORTING SERVICE

1 DECEMBER 5TH AND TO HAVE AN INTERIM HEARING OF THE
2 FINANCE COMMITTEE WHICH WOULD ALLOW THE PUBLIC
3 COMMENT ON ALL OF THE ITEMS BOB JUST DESCRIBED, NOT
4 THAT WE AS A FINANCE COMMITTEE ARE PRESENTLY MAKING
5 A RECOMMENDATION THAT THESE ARE NECESSARILY THE
6 RIGHT LEVELS, BUT THIS IS THE STRUCTURE THAT WE
7 WOULD PROPOSE TO BE VETTED.

8 MR. KLEIN: BUT THEORETICALLY THESE ARE
9 THE LEVELS, THOUGH, YOU WANT COMMENT ON, RIGHT?
10 SO --

11 CHAIRMAN GOLDBERG: EXACTLY.

12 MR. KLEIN: -- WE'RE TRYING TO ARRIVE AT A
13 FINAL RECOMMENDATION, BUT YOU'RE GOING TO PUT
14 NUMBERS OUT THERE FOR PEOPLE TO COMMENT ON.

15 DR. AZZIZ: MICHAEL, CAN I MAKE THE
16 SUGGESTION, AND I DON'T KNOW, MAYBE I'M THE ONLY ONE
17 WHO FEELS THIS WAY, BUT THAT WE GET THAT DOCUMENT
18 EDITED. THERE WAS LOTS AND LOTS AND LOTS OF
19 COMMENTS TODAY ABOUT VARIOUS THINGS. IT WOULD BE
20 HELPFUL TO SEE WHAT IS GOING TO BE PRESENTED AND
21 CIRCULATE IT TO THE COMMITTEE FOR COMMENT BEFORE IT
22 IS FINALIZED BECAUSE RIGHT NOW WE DON'T REALLY HAVE
23 EVEN A FINAL DOCUMENT TO BE PRESENTED FOR COMMENT.
24 AND THERE WAS A LOT, AS YOU SAW TODAY, LOTS OF
25 COMMENTS AND THOUGHTS. I'M JUST A LITTLE CONCERNED

BARRISTERS' REPORTING SERVICE

1 ABOUT WHAT IS GOING TO BE PRESENTED BECAUSE I DO
2 AGREE THAT ONCE YOU PRESENT IT IN WRITING TO THE
3 ICOC AND TO THE PUBLIC AT LARGE, IT'S GOING TO LOOK,
4 ALTHOUGH NOT WRITTEN IN STONE, IT'S GOING TO LOOK
5 LIKE THE SIGNIFICANT GUIDELINES ARE ALREADY SET.

6 CHAIRMAN GOLDBERG: GOT IT. SO I'D LIKE
7 TO ASK JAMES TO COMMENT ON THE PROCESS YOU PROPOSE.
8 I THINK UNDER NORMAL NON-STATE AGENCY REGULATIONS,
9 THAT'S A VERY, VERY SENSIBLE WAY TO PROCEED. I'M
10 AFRAID THAT WE DON'T HAVE THAT FLEXIBILITY HERE.

11 MR. HARRISON: WELL, THERE ARE TWO ISSUES.
12 ONE IS UNDER THE BAGLEY-KEENE OPEN MEETING ACT,
13 DISCUSSIONS LIKE THIS HAVE TO TAKE PLACE IN PUBLIC,
14 WHICH MEANS THAT WE COULDN'T HAVE A MAJORITY OF A
15 QUORUM OF THE FINANCE COMMITTEE INVOLVED IN THE
16 SORTS OF DISCUSSIONS OUTSIDE OF PUBLIC VIEW. AND
17 THE SAME GOES FOR THE BOARD AS WELL. BUT I THINK
18 THAT DOES LEAVE US SOME ROOM, SINCE WE DON'T EVEN
19 HAVE A QUORUM ON THIS CALL, TO CIRCULATE A DRAFT TO
20 CERTAIN MEMBERS TO MAKE SURE THAT WE'RE ALL ON THE
21 SAME PAGE AS TO WHAT THE CONSENSUS WAS TODAY.

22 CHAIRMAN GOLDBERG: JAMES, IS IT CORRECT
23 TO INFER FROM THAT THAT I'M IN A POSITION TO SELECT
24 TWO OR THREE MEMBERS TO REVIEW THE REVISIONS TO THE
25 DOCUMENTS WE SAW TODAY?

BARRISTERS' REPORTING SERVICE

1 MR. HARRISON: EXACTLY.

2 DR. TROUNSON: I WONDER IF YOU WOULD
3 INCLUDE, MAY I SUGGEST, PAT OLSON AND NANCY KOCH IN
4 LOOKING AT THAT DOCUMENT IF YOU WOULDN'T MIND.

5 CHAIRMAN GOLDBERG: YEAH. I DON'T THINK
6 THERE'S ANY RESTRICTION TO AS MANY STAFF AS YOU
7 WOULD LIKE AND WHOMEVER YOU WOULD LIKE. SO LET'S
8 MAKE SURE IT'S CIRCULATED. MELISSA, ARE YOU GOING
9 TO BE THE POINT PERSON ON THIS?

10 MS. KING: SURE. I WILL BE. IT WILL
11 ACTUALLY BE ME FOR THESE REVISIONS BECAUSE I NEED
12 THEM FOR THE ICOC MEETING AS SOON AS POSSIBLE, SO
13 I'M GOING TO BE CRACKING THE WHIP.

14 CHAIRMAN GOLDBERG: OKAY. THIS WOULD BE
15 TO LET'S MAKE SURE THEY GET TO STAFF, LET'S MAKE
16 SURE THEY GET TO DUANE AS THE HEAD OF THE LOAN TASK
17 FORCE, AND LET'S MAKE SURE THEY GET TO RICARDO, AND
18 CAN WE INCLUDE ED IN THAT?

19 MR. HARRISON: YEAH, THAT'S FINE.

20 MR. SIMPSON: QUESTION FROM THE PUBLIC.
21 WHEN, THEN, WOULD YOU EXPECT THAT THAT DOCUMENT
22 WOULD BE AVAILABLE TO THE PUBLIC?

23 MS. KING: AS SOON AS I GET EVERYBODY'S
24 COMMENTS BACK AND THEY CAN BE FINALIZED.

25 MR. SIMPSON: WOULD YOU CARE TO SHARE THE

BARRISTERS' REPORTING SERVICE

1 DOCUMENT WITH A MEMBER OF THE PUBLIC AS IT'S BEING
2 CIRCULATED?

3 CHAIRMAN GOLDBERG: I DON'T BELIEVE THAT
4 WOULD BE PRUDENT FOR US, JOHN.

5 MS. SIMPSON: ALL RIGHT.

6 CHAIRMAN GOLDBERG: BUT I APPRECIATE YOUR
7 WILLINGNESS TO LEND ASSISTANCE.

8 MR. KLEIN: JOHN, THERE IS A -- WE REALLY
9 DO NEED MORE INFORMATION. AND HOPEFULLY WITH SOME
10 DECISIONS AT THE BOARD, PEOPLE WILL REALIZE THAT IF
11 THEY'RE GOING TO GET THEIR COMMENTS IN, THEY NEED
12 TO. AND I, JUST SPEAKING AS AN INDIVIDUAL, AM VERY
13 OPEN TO ADDITIONAL INFORMATION AND HOPE DURING THE
14 60-DAY PERIOD TO REALLY GET SOME MORE REFINEMENT,
15 BUT IT'S DEPENDENT ON THE SUBSTANTIVE QUALITY OF THE
16 RESPONSE, WHICH WILL ONLY BE ELICITED IF THE PUBLIC
17 UNDERSTANDS WE MADE SOME DECISIONS THAT ARE MOVING
18 FORWARD.

19 MR. SIMPSON: I AGREE WITH THAT. ONE
20 OTHER QUICK THOUGHT, MAYBE IT'S NOT POSSIBLE, BUT I
21 THINK THE PROCESS COULD BE HELPED IF YOU COULD HAVE
22 AN ADDITIONAL BANK REPRESENTATIVE FROM ANOTHER BANK
23 AT THIS TO TALK ABOUT WHAT THEY MIGHT DO BESIDES THE
24 SILICON VALLEY BANK.

25 CHAIRMAN GOLDBERG: YOU KNOW WHAT I'M

BARRISTERS' REPORTING SERVICE

1 GOING TO SUGGEST IS MAYBE WE NOT HAVE SILICON VALLEY
2 BANK THERE. BOB, THEY CAN ONLY BE AVAILABLE BY
3 PHONE, WHICH I THINK IS A HORRIBLE DYNAMIC FOR A
4 PUBLIC MEETING.

5 MR. ROTH: MICHAEL, I WOULD SUPPORT THAT.
6 I THINK I'D MAKE THIS DOCUMENT, WITH THEIR
7 PERMISSION, GENERIC.

8 CHAIRMAN GOLDBERG: YEAH.

9 DR. AZZIZ: I SUPPORT THAT ACTUALLY FOR
10 THEIR OWN PROTECTION. YOU KNOW, IF THEY SPEAK UP
11 AND THEN THEY GET THE CONTRACT FOR WHATEVER REASON,
12 IT'S GOING TO LOOK BAD FOR THEM.

13 CHAIRMAN GOLDBERG: OKAY. I'VE HELD THIS
14 UP SO LONG. IT'S THE MOST POORLY MANAGED MEETING I
15 THINK I'VE CHAIRED IN RECENT MONTHS.

16 MR. SHEEHY: MICHAEL, CAN I SAY SOMETHING
17 REALLY QUICK?

18 CHAIRMAN GOLDBERG: OF COURSE.

19 MR. SHEEHY: YOU KNOW, I'VE BEEN WITH THIS
20 PROGRAM ALL ALONG. I DON'T GET IT ANYMORE. AND I
21 HAVE TO ASK THAT THIS BE AGENDAD VERY EARLY, BECAUSE
22 WE HAVEN'T TALKED ABOUT IT AT THE BOARD, WHILE
23 THERE'S A FULL QUORUM THERE AND THAT THIS NOT BE A
24 LAST-MINUTE ITEM BECAUSE I'M VERY CLOSE TO NOT BEING
25 WITH THIS PROGRAM ANYMORE. YOU KNOW, I DON'T

BARRISTERS' REPORTING SERVICE

1 UNDERSTAND IT AT THIS POINT. I TRIED TO DIGEST
2 THESE DOCUMENTS AND TRIED TO FOLLOW THIS CALL. BUT
3 IN GENERAL, CONCEPTUALLY I'M WITH YOU; BUT IF I
4 DON'T GET IT, I CAN'T SUPPORT IT. SO, YOU KNOW,
5 THERE HAS TO BE TIME FOR ADEQUATE, CLEAR DISCUSSION
6 OF THIS AT THE BOARD, AND THIS SHOULD REALLY, YOU
7 KNOW, COME VERY EARLY AND DON'T RELY ON THE DECEMBER
8 MEETING. WE HAVE 120 GRANTS TO REVIEW.

9 THIS MEETING IS THE ONE THAT WE HAVE THE
10 MOST TIME AND THE MOST OPPORTUNITY TO REALLY TALK
11 ABOUT THIS PROGRAM AT THE BOARD. AND IF THAT
12 OPPORTUNITY IS MISSED, I DON'T THINK I'M GOING TO BE
13 WITH YOU GUYS ON THIS.

14 MR. KLEIN: JEFF, IT IS AGENDIZED PRETTY
15 EARLY IN THE AGENDA.

16 CHAIRMAN GOLDBERG: POINT WELL TAKEN.

17 MR. SHEEHY: I THINK IN GENERAL EVERYBODY
18 HAS WORKED REALLY HARD. I FEEL REALLY POSITIVE
19 ABOUT IT, BUT I'M NOT THERE. IF I DON'T GET A
20 CHANCE TO GET THERE, I'M NOT GOING TO GO THERE.

21 CHAIRMAN GOLDBERG: FAIR ENOUGH.

22 DR. AZZIZ: I'M HANGING UP. THANK YOU
23 MUCH, GUYS. BYE EVERYBODY.

24 CHAIRMAN GOLDBERG: ADJOURNED.

25 (THE MEETING WAS THEN ADJOURNED AT 04:55 P.M.)

BARRISTERS' REPORTING SERVICE

REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE TELEPHONIC PROCEEDINGS BEFORE THE FINANCE SUBCOMMITTEE OF THE INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE IN THE MATTER OF ITS REGULAR MEETING HELD ON SATURDAY, SEPTEMBER 20, 2008, WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE REPORTED STENOGRAPHICALLY BY ME AND TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.

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